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MALAYSIA
Survey of economy and society
Section III

World News

Clashes in Croatia end hopes of lasting truce

Fighting erupted again yesterday in the eastern Croatian town of Vukovar only hours after a ceasefire deal had been struck between the Yugoslav federal army and the republic's breakaway government.

The collapse of the truce reinforced the belief among western diplomats that any ceasefire or European Community mediation is now unenforceable. Page 14; Serbian media, Page 4; Editorial Comment, Page 12

Japan's bankers warned
Japanese police formally warned the country's bankers and securities workers to stop dealing with gangsters. Page 14; Aircraft company arrests, Page 4

Libya's 'desert river'
Libya celebrated completion of its "great man-made river". The vast pipeline, which took 10 years and $14bn to build, carries fresh water 1,200 miles across the Sahara to the Libyan coast. Page 5

African debt plea
UN secretary-general Javier Pérez de Cuéllar suggested wealthy nations cancel their official debt to African countries before the continent faced a crisis of "tragic proportions". Page 5

Kurdish quarrel
Iraqi Kurdish leader Jalal Talabani accused Kurdish separatists in Turkey of maintaining secret ties with President Saddam Hussein of Iraq for the last three years.

Pilgrims killed
Fifty three people died in eastern Turkey when a tourist bus crashed 60 ft into a ravine after failing to round a bend. Most of those killed were Lebanese Moslem pilgrims.

NY subway deaths
A New York subway train jumped the tracks, killing at least six people and injuring more than 200. Officials said the driver was being tested for drugs. Page 4

Greek bank strike
All Greek state and private banks are expected to be affected by a 24-hour strike called for today by Greek central bank employees.

Kashmir firing continues
India and Pakistan reported a third day's heavy firing between their troops in the disputed Kashmir region.

Iranian charged
A French judge charged an Iranian with the murder of ex-Iranian premier Shapour Bakhtiar earlier this month. Ali Vakili Rad was extradited from Switzerland.

Dutch PM's threat
Dutch prime minister Ruud Lubbers said he would quit if next year's private-sector wage rises exceeded a 3 per cent guideline.

Pakistan crackdown
Pakistani police arrested over 30 activists of the opposition Pakistan People's party led by Benazir Bhutto. The crackdown followed the murder of a policeman.

Bomb wrecks town
The IRA set off a 1,000lb bomb in the centre of a Northern Ireland town. The blast, heard over 20 miles away, injured a British soldier, wrecked hundreds of buildings and blew out almost all the town's windows.

Hospital files seized
Investigators seized files from East Germany's showpiece Charite clinic in Berlin as they began to probe claims that doctors removed organs from terminally ill patients. The hospital admitted irregularities but denied organs were removed from living patients.

Business Summary

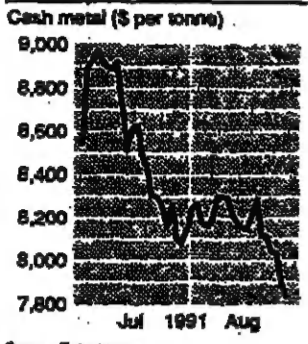
US growth figures dent hopes of recovery

Hopes that an economic recovery had begun in the US in the spring were dampened by the release of the latest growth figures.

Revised figures from the Commerce Department showed the economy had contracted at an annual rate of 0.1 per cent in the second quarter of the year, reversing last month's estimate which had put growth at an annual rate of 0.4 per cent in the quarter. Page 14; Currencies, Page 30; World stocks, Page 34

NICKEL prices came under further pressure on the London Metal Exchange after Tuesday's fall through the $8,000 a tonne level. The cash nickel price fell $57.58 to a fresh 1991 low of $7,835 a tonne. Continued concern over high levels of Soviet supplies contributed to the bearish mood. Norwegian plant to cut nickel output, Page 22

Nickel



Source: Datastream

VOLVO, Swedish vehicle group, reported a 68 per cent fall in pre-tax profits to SKr658m ($103.8m) for the first half of 1991. Page 15

UNITED Press International, struggling US news agency, filed for Chapter 11 bankruptcy protection against its creditors for the second time in seven years. UPI has about $65m in liabilities and about $22m in assets. Page 17

BRITISH Airways and a group of German banks face a serious delay in their attempt to set up a successor airline to BA's internal German service. Page 4

ASEA BROWN Boveri, Europe's biggest electrical engineering group, plans to cut its workforce by at least 6,000 in the second half of this financial year to maintain a cost-cutting drive which helped it lift pre-tax profits for the first six months of 1991 by 6 per cent to $520m. Page 16

NATIONAL Semiconductor, one of Silicon Valley's leading microchip makers, will take a first-quarter charge of $149.3m to cover the costs of restructuring its manufacturing plants. Page 17

SWEDISH Federation of Industries predicted that the country's industrial production will not recover to the peak level of 1989 until the end of the century. Page 4

SALOMON Brothers: Moody's Investors Service, New York ratings agency, lowered its ratings of the US securities house's debt following the firm's involvement in the Treasury auction-rigging scandal. Page 18

RENAULT, French state-owned automotive group, suffered a 65.4 per cent fall in pre-tax profits in the first half of the year to FFr962m ($161m). Page 15

LUFTHANSA, German national airline, reported a pre-tax loss of DM331m ($189m) for the first half of 1991 compared with a loss of DM3m in the same period of last year. Page 16

CATHAY Pacific Airways, Hong Kong international air carrier controlled by Swire Pacific, announced a 21.7 per cent fall in interim profits to HK$1.1bn ($141.8m). Page 17

Gorbachev appoints team of strategists to reverse decline and calm republics

Soviets plan rescue package

By Leyla Boulton in Moscow

THE Soviet Union yesterday moved closer towards a co-ordinated strategy to rescue the economy and to calm fears in the republics over possible Russian hegemony.

The four-man committee, set up to run the Soviet economy and put it on course for market reform, was yesterday expanded to include representatives of most of the 15 republics. This was an attempt to prevent what one committee member described as economic catastrophe.

Mr Grigory Yavlinsky, the radical economist, was put in charge of crafting an overall economic reform strategy. Mr Arkady Volsky, the head of a Soviet employers' confederation, will be responsible for Soviet industry, transport, and communications after the sacking of the entire Soviet cabinet.

The committee's chairman, Mr Ivan Silayev, the Russian prime minister, is to oversee defence, security, the media, and the Finance Ministry. The fourth man, Mr Yuri Luzhkov, head of Moscow City Council's executive body, is to reorganise the country's agro-industrial sector and secure food for city dwellers this winter.

Mr Volsky told a news conference yesterday that 80m-85m tonnes of grain were needed to feed the big cities but that the state had so far procured only 24m-25m tonnes.

He said President Mikhail Gorbachev would soon sign a decree to provide better incentives for peasants to part with grain stocks which they were now holding back.

Mr Gorbachev also appointed Mr Boris Pankin, 60, as the new Soviet foreign minister. Mr Pankin, currently ambassador to Czechoslovakia, is a liberal who was well regarded during his previous ambassadorship in Sweden. He is a former editor of Komsomolskaya Pravda, the Communist youth newspaper.

A Soviet Foreign Ministry spokesman said Mr Pankin was the only Soviet ambassador who did not follow the orders issued by hard-line Communists who tried to topple Mr Gorbachev last week.

In the meantime, Mr Gorbachev continued a relentless purge of officials involved in last week's coup when he sacked the governing body of the KGB. As well as launching an investigation into the KGB's role in the failed putsch, he also began to dismantle the once-monolithic security agency, by transferring its border guard divisions to the regular army.

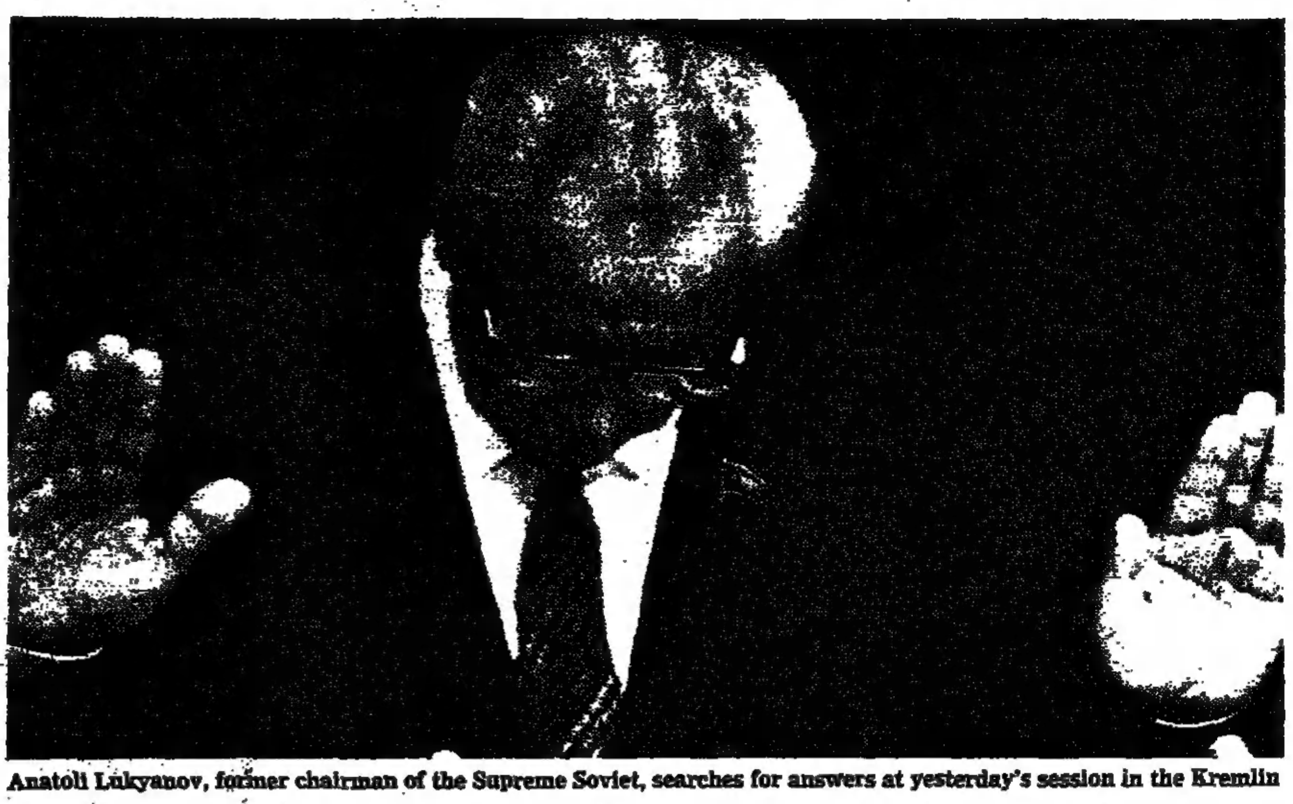
His press spokesman, Mr Vitaly Ignatenko, was appointed the new director of Tass, the official news agency, which, for 74 years a Communist mouthpiece, last week faithfully carried all the statements of the coup leaders.

Earlier, the Soviet parliament heard Mr Anatoly Lukyanov, the former chairman of the Supreme Soviet again deny that he was involved in the coup against Mr Gorbachev.

The parliament, however, ratified the sacking of the entire cabinet, proclaimed by Mr Gorbachev at the weekend.

Deputies also heard yesterday that 12 men would be tried for treason after last week's coup. They were not named but are almost certain to include the eight men known to have organised the putsch.

Continued on Page 14


Anatoli Lukyanov, former chairman of the Supreme Soviet, searches for answers at yesterday's session in the Kremlin

THE SOVIET UNION

Yeltsin extends grip on economy

By John Lloyd in Moscow and Kenneth Gooding in London

MR BORIS YELTSIN, the Russian president, has vastly extended his grip on the Soviet economy by declaring Russian control over all financial and currency dealings, together with transactions in precious stones and metals.

The decree was made on Sunday but published only yesterday. It gives the Russian authorities control over the Soviet Finance Ministry, the state bank (Gosbank) and the Bank for Foreign Economic Relations (Vneshekonombank). The state bank confirmed last night that the decree was now in force.

Mr Yeltsin has called for proposals, within a month, for the integration of the Soviet financial structures with those of Russia.

His decree also takes into Russian control the customs service on Russian territory – which includes the international airport at Sheremetyevo and the ports of Leningrad and Kaliningrad. The customs service will be able to export precious stones and metals only with the permission of the Russian government.

Mr Yeltsin's move presents the gravely weakened Soviet authorities with the dilemma of either bowing to the fact of Russian power, or attempting to confront it in an area where foreign confidence is vital.

At the same time, Mr Victor Gerashchenko was reinstated as state bank chairman. He has clearly been judged too precious a commodity for his ambiguous position during the coup to be allowed to count against his continued tenure.

Gold market traders and analysts were confused and divided about the implications of the move. Some thought it was positive for the gold price, while others felt the situation remained unclear.

De Beers, the South African group which last year signed a deal to sell Soviet rough (uncut) diamonds, said it was watching the situation but considered it had a valid contract with the Soviet government. Diamonds had been moved from the Moscow stockpile to London as collateral for a $1bn loan De Beers made to the Soviet Union with repayments made "like clockwork."

Gold market reaction, Page 22

Major calls on leadership to co-operate

By Lionel Barber in Washington

MR John Major, the British prime minister, yesterday called for close co-operation between President Mikhail Gorbachev and Mr Boris Yeltsin, the Russian president, to promote stability in the Soviet Union and smooth the path for western aid this winter.

On his first day of talks in the US, Mr Major pledged the west's readiness to help the Soviet Union with food and humanitarian aid.

But he made clear that direct financial assistance would depend on a credible economic reform plan accompanied by cuts in the Soviet defence budget.

Appearing on television interviews ahead of a visit to President George Bush's vacation home in Kennebunkport, Maine, Mr Major echoed the US president's strong support of Mr Gorbachev and of a close working relationship with Mr Yeltsin.

Mr Major said such co-operation was in the interest of the west and of the Soviet Union: "There's a danger of chaos, there's a danger of nobody knowing quite what is going to happen or how it can be brought out."

The British prime minister, who will visit Moscow this weekend, will be the first western leader to have direct talks with the new Soviet leadership. He will have separate talks with Mr Gorbachev and Mr Yeltsin, before continuing on a previously scheduled trip to China.

In Moscow, Mr Major will also be acting in his capacity as chairman of the Group of Seven leading industrialised nations, the body which has assumed the lead role in decision-making on aid to the Soviet Union.

During his television appearances, Mr Major enthused about the opportunities opened up by the failure of last week's putsch in the Soviet Union and the collapse of communist rule, in contrast to Mr Bush who has been more cautious in public. Mr Major described the collapse of communism as "a huge prize for the west".

Turning to Soviet efforts to introduce a market economy, he said: "We must help them produce it; it's in our interests and they need it."

Like his US hosts, Mr Major made clear the initial western aid package should stick to the outlines of the G7 agreement last July which focused on technical assistance and rejected Mr Gorbachev's pleas for a multi-billion dollar aid package.

"What the Soviet Union and the republics need at the moment is a clear plan of action," he said. "Putting economic prosperity in place will be a long job."

However, Mr Major indicated that food aid would probably be needed to help the Soviet Union this winter.

Toyota may expand into financial services sector

By Stefan Wagstyl in Tokyo

TOYOTA MOTOR, the Japanese carmaker, is considering expanding its financial services operations in a move that could have a far-reaching impact on the country's financial companies.

A management team is studying proposals to increase greatly the provision of car and housing loans for customers, to issue credit cards and possibly to install cash machines in dealerships.

Plans for the expansion come as the company unveiled a 15.3 per cent decline in pretax profits for the year ending June 30, to Y705.9bn ($5.15bn). It blamed the fall on a marked slowdown in the Japanese market, which is expected to last into next year.

The Japanese financial services sector is in turmoil, with banks and other companies under pressure from deregulation, public outrage over recent financial scandals, and excess lending for property development.

But Toyota denied trying to take advantage of the financial sector's difficulties. It said the proposals, if approved, were intended as an extension of services to people who bought or leased Toyota vehicles. Credit cards, for example, would be available only to Toyota customers.

Mr Hiroshi Okuda, a senior managing director, said: "We want to expand the market for durable goods in the future. I think sales finance will play an important role and become a core part of our business."

Toyota's move is reminiscent of the early stage of the expansion into finance of large US industrial groups, including General Motors and Ford, the carmakers. These also began by offering finance to fund sales of their own products but eventually established wide-ranging financial services companies. General Electric, the electrical combine, ended up buying a stake in Kidder Peabody, the Wall Street broker.

Toyota has often stated its aim of diversifying from vehicles. It has a large housebuilding subsidiary and interests in machine tools and aerospace. But none of these investments has significantly slowed the growth of the company's huge cash pile, which last June totalled Y2,500bn. However, Toyota has been cautious in its financial management and established Toyota Finance as a subsidiary only in 1988.

Toyota Finance provides finance only through some 300 of the group's 5,000 domestic sales outlets. The dealers go to independent credit companies for credit brokering services. Credit sales account for about 20 per cent of the total.

Mr Stuart Matthews, banking analyst at the Tokyo office of BZW, the UK stockbroker, said Toyota's move would probably have little effect on large financial companies but smaller ones, particularly those specialising in car loans, might suffer.

Toyota results, Page 17

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Singapore's PAP set to win against divided opposition

Prime minister Goh Chok Tong's surprise election call caught the opposition by surprise, and although the PAP is set to win, Tong's credibility rests on his ability to reverse the party's long-term decline

Page 4

MARKETS

STERLING
New York lunchtime:
$1.6925
London:
$1.69 (1.6605)
DM2.94 (2.9375)
FFr9.98 (9.9775)
SFr2.565 (2.5575)
Y231.0 (230.25)
£ Index 90.8 (90.7)

GOLD
New York: Comex Dec
$356.9 (359.5)
London:
$354.45 (354.6)

N SEA OIL (Argus)
Brent Oct
$20.05 (20.125)

Chief price changes yesterday: Page 15

DOLLAR
New York lunchtime:
DM1.7367
FFr5.8925
SFr1.516
Y136.6
London:
DM1.74 (1.7485)
FFr5.905 (5.9375)
SFr1.5175 (1.5225)
Y136.85 (136.95)
$ Index 66.4 (66.7)
Tokyo close:Y137.13

US lunchtime rates
Fed Funds: $5\frac{1}{2}$%
3-mo Treasury Bills: 5.452%
Long Bond: $100\frac{3}{32}$
yield: 8.094%

STOCK INDICES
FT-SE 100:
2,624.2 (+4.4)
FT Ordinary:
2,053.9 (+3.9)
FT-A All-Share:
1,259.1 (+0.2)
New York lunchtime:
DJ Ind. Av.
3,044.5 (+18.34)
S&P Comp
394.87 (+1.81)
Tokyo: Nikkei
21,621.63 (−19.67)

LONDON MONEY
3-month Interbank:
$10\frac{13}{16}$ ($10\frac{13}{16}$)
Liffe long gilt future:
$93\frac{1}{2}$ ($93\frac{5}{16}$)

THE SOVIET UNION

Republics rally to counter Russian imperialism

By Leyla Boulton in Moscow

JUST as it seemed that the Soviet Union was relapsing into helplessness, evidence emerged yesterday of joint efforts by the republics to tackle economic chaos and counter fears of a new Russian imperialism.

Mr Arkady Volsky, one of four members of a special committee set up to run the Soviet economy, said that all 15 republics had agreed to take part in the committee's work.

"This is a source of satisfaction," he said, noting that even the three Baltic republics, which are set on a path to full independence, would send "active observers".

"We have a clear interest in preserving economic ties with the Soviet Union," said a spokesman for Lithuania, who revealed there had been an agreement in principle to nominate Mr Vytautas Novickas, the deputy economics minister, as Lithuania's observer.

Mr Volsky also announced the cancellation of a decision on Monday by Mr Ivan Silayev, the committee's chairman and Russian prime minister, to put his people temporarily into top jobs at all-union institutions.

He said that the Soviet ministries' first deputy chairmen would do the jobs of their disgraced bosses.

Although Mr Volsky did not go into an explanation, it looks as though Russia is now trying to back-track in order to reassure other republics, even though its spokesmen claim that the Russian takeovers were aimed only at preventing the collapse of government.

Only the previous day, mighty Soviet ministries and banks saw Russian government officials arrive to take control of institutions whose chiefs were accused of complicity in last week's abortive coup.

In the meantime, republics outside Russia bristled with fear that, having saved the country from dictatorship, President Boris Yeltsin was seeking to reimpose a new Russian diktat on the rest of the country.

Amid a flood of independence declarations and warnings of inter-republican wars, there were also fears that the 15 republics would be unable to find a common language for rescuing the economy that binds them all after seven decades of central planning.

"The tragedy is that Mr Yeltsin does not even want a union government," an associate of Mr Volsky complained as recently as Tuesday.

Yesterday Mr Volsky seemed in a much better mood. "There will be a union government of some kind or another," he said after the committee had worked until 4am.

He said that six inter-republican committees would be set up to manage different areas.

On the ground, however, it was unclear who was running the creaking and uncertain machine of Soviet government. Early yesterday, Mr Andrei Zverev, a deputy Russian finance minister, was in charge of Gosbank, the central bank, after replacing the highly-experienced Mr Viktor Gerashchenko.

However, by the evening, Mr Gerashchenko, who is in a special position as a non-minister, had been reinstated in his job.

At the finance ministry, officials were still awaiting the arrival of Mr Igor Lazarev, the Russian finance minister who had been announced as the replacement for his Soviet counterpart, Mr Vladimir Orlov.

There were also signals that the Russian federation was still claiming as its own all the equipment and control over the resources of the country's top financial institutions.

Nonetheless, the latest signals from Moscow should help the west find some sensible interlocutor as it looks for ways of helping the Soviet Union out of its economic morass.

The World Bank has already approved plans for a $30m (£17.8m) trust fund to help introduce a market economy into the Soviet republics. "We will discuss using the money together with the republics," said Mr Zverev, while acting as Gosbank chief.

Mr Volsky also dismissed suspicions that the committee was just a fig-leaf for a Russian takeover and clarified who was supposed to be responsible for economic reforms.

In the four-man team, Mr Grigory Yavlinsky would take overall charge of economic reform and proposals for reintegrating the Soviet Union into the world economy.

His work would be complemented by that of Professor Evgeny Yasin, an economist with Mr Volsky's employers' confederation, who was working on emergency measures to support Soviet industry and entrepreneurship.

Prof Yasin's ideas had been passed on to President Gorbachev for use at next week's extraordinary session of the Congress of People's Deputies, or superparliament.

While annexing institutions such as Vneshekonombank, which handles hard currency payments and the Soviet debt, Russia had also made menacing noises about reviewing its borders with those republics that wanted to leave the union.

Mr Mikhail Fedotov, Russia's deputy information minister, suggested yesterday that it had been undiplomatic to make public the fact that Russia reserved the right to review its borders. "Such declarations should be made in intimate negotiations."

But the aim of going public, he said, was to try to "preserve the union".

Senior officials from Gosbank, the Soviet central bank, are due to visit London next week to discuss plans for reshaping the Soviet economy, writes Peter Marsh.

They are scheduled to attend a meeting of the directors of the European Bank for Reconstruction and Development, which will review the bank's strategy to provide assistance from industrialised nations to aid Soviet economic reform.

They may also meet representatives of the International Monetary Fund in Washington later in the week.

Grigory Yavlinsky (left) and Ivan Silayev prepare to take the economic reins

Anxious to avoid vindictiveness: Moscow Mayor Gavriil Popov being welcomed with flowers in Berlin yesterday

Democrats reassure party men

By Leyla Boulton

VICTORIOUS democrats are trying to show mercy to losers from the fallen Soviet Communist Party. But old habits die hard after seven decades of oppression – especially when many of the self-proclaimed democrats are former Communists.

With a vindictiveness unprecedented since Stalin's purges, denunciations of people said to have supported last week's coup are flooding into the offices of the leaders of this second Russian revolution. Mr Gavriil Popov, the radical mayor of Moscow, says that only 10 per cent of such mail has merited following up. The rest, he suggested, were petty attacks on bosses, colleagues and neighbours for even sympathising with the putschists.

"This is a sign of a sickness in our society which we have yet to uproot," Mr Popov said in a late night television interview – one of a series he has given to get the new word across. Mr Popov, who told viewers of "Good Evening Moscow" that only the executors of last week's coup would be punished, was also clearly anxious to reassure "dissenters" that they would not suffer the same fate as the victims of the first Russian Revolution.

He reassured functionaries of the Communist Party, which has all but collapsed since its central committee was dissolved, its property seized and its leadership discredited, that they would be given an opportunity to retrain for other jobs.

The Russian leadership is also moving against accusations that it is applying a new tyranny over media which supported the coup. Mr Mikhail Fedotov, Russia's deputy information minister, said yesterday that Communist party newspapers, such as Pravda and Leninskoye Znamya, were being allowed to reappear after re-registering themselves. They would be keeping their old names for the time being simply not to confuse subscribers.

Toward the party itself, however, Mr Boris Yeltsin, the Russian president, his democratic allies, and even Mr Mikhail Gorbachev, its betrayed general secretary, are showing no mercy.

Gosbank, the state bank, has frozen all Communist party accounts to prevent it from hiding assets which President Gorbachev has ordered to be given back to the people. Attempts are also being made to track down its investments abroad.

Soviet bosses on course for higher standards

By Paul Cheeseright, Midlands Correspondent

OUTSIDE in the lazy summer sun a girl in a black riding cap goes through her equestrian exercises. Inside, the lecturer emphasises his point with a movement of the arm: "The most important part of any strategy is getting the initial steps correct".

This is the rural headquarters of the Engineering Employers' East Midlands Association in Barleythorpe, Leicestershire, scene of the only training course in the UK that the British government's "know-how fund" for the Soviet Union has so far assisted.

The course, tailored for a group of Soviet managers, largely from the engineering industry, has moved on from the detail of quality management techniques to consideration of business strategy and business planning.

The words of the lecturer, Mr John Brough, who once formulated strategy at BOC, the industrial gases group, are an unintentional metaphor for Mr Boris Yeltsin's political strategists.

First, establish the long-term goal of the business, the "mission statement", he says. "It is important that the mission is clearly articulated, that it be concise, that it is directional."

On the other side of the horseshoe table, the 18 managers from the Leningrad area take it all in quietly before adjourning for mid-morning coffee and Ruddles beer. They are itching to return home at the end of the week – to St Petersburg. They use the imperial name. They want to find out what is going on. Spreading the gospel of quality management will come later.

The "quality" gospel will be spread by Soviet managers

Mr Mikhail Krotov – "I know Eduard Shevardnadze quite well" – is the leader of the group and has surrounded himself with likeminded reformers from Leningrad business.

With the failure of the coup, Mr Krotov believes there will be greater opportunities for Soviet business, working according to free-enterprise principles.

"The necessity to implement international standards will be greater," he says. Soviet standards are quite different from international standards, leading to trading problems: customers cannot be sure of what they are buying. "The task of integrating into the world market cannot be achieved without implementing international standards," says Mr Krotov.

MacGregor Associates, the Nottingham management consultancy which organised the course, has been training the Soviet managers in the techniques of assessing and certificating standards since the beginning of this month.

The training has been the same as potential British assessors would have. And the managers are evidently good at it.

"They weren't also-rans. They understood it. They will go back and start setting up certification bodies," says Mr Mike Smith, a MacGregor partner.

On the practical side, for Mr Krotov, the vehicle for bringing Soviet business into closer touch with the outside world could be joint ventures in the Leningrad free trade zone and the conversion of military plants to civilian products; it is in these plants that Soviet technology is most developed.

The "quality" gospel will be spread by the Soviet managers through Znanie, in some ways equivalent to the British Association for the Advancement of Science, but different in that it has commercial and property interests.

Mr Krotov is a leading light in Znanie, many of the Barleythorpe course managers are members, and so are about 3m other managers and academics throughout the Soviet Union.

MacGregor has signed a joint venture agreement with Znanie which will mean more training and greater efforts to put Soviet managers in touch with European business.

Over the next six months, five more courses are planned, for which subsidy will be sought from the £50m know-how fund.

Review of air force cuts urged

WESTERN countries will need to revise plans for cutting back the strengths of their air forces in the light of instability in the Soviet Union and Yugoslavia, according to a leading UK expert, writes David White.

Mr Mark Lambert, editor of the authoritative Jane's All the World's Aircraft, said the recent events "must have some impact" on air force planning.

He added that the recent Gulf conflict had shown up the "screaming shortage" of military transport aircraft, except in the case of the US.

It was essential that programmes for new combat aircraft such as the US F-22 Advanced Tactical Fighter and the four-nation European Fighter Aircraft (EFA) should go ahead, he said. Doubts over German participation in EFA production have cast a shadow over the project.

He warned that the Soviet Union had already announced plans for two new fighters with stealth features to enable them to avoid detection by radar.

Mr John Taylor, a former editor of the yearbook, the latest edition of which was published yesterday, said that the Soviet Union's latest MiG-29 and Su-27 aircraft were "as good as anything in Nato" in terms or aerodynamics and handling. However, they would not outmatch the new EFA, he said.

Italy speeds up Soviet loans

ITALY said yesterday it would more than double its commercial loans to the Soviet Union to L2,500bn (£1.1bn) this year to provide consumer goods and fuel for the winter, AP reports from Milan.

The state export credit insurance agency, SACE, authorised the payment of a further L1,500bn of loans that were originally scheduled for the second half of 1993 and all of 1994, according to a statement from the Treasury Ministry.

The loans are part of a L5,000bn government-guaranteed loan package for the Soviet Union that was supposed to have covered the five-year period starting in 1990.

Italy has been one of the strongest proponents of direct financial aid to support the reform efforts of Soviet President Mikhail Gorbachev.

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KGB leadership ousted in reshape

By Anthony Robinson in Moscow

THE TOP leadership of the KGB, the state security committee, was dismissed yesterday by Soviet President Mikhail Gorbachev.

Mr Gorbachev also transferred control of the well-armed KGB military units, including the 200,000-strong border guard, to the Defence Ministry and removed the organisation's responsibility for and surveillance of government communications.

Mr Ivan Silayev, the new Soviet premier, has been given overall political control of the KGB, police, defence and interior ministries in a new government structure announced yesterday.

The decree dismissing the ruling KGB "collegium" marked a new stage in the purge of Soviet state and party institutions following last week's coup attempt.

The myth of the all-seeing, all-powerful KGB has taken a knock as a result of last week's failed coup. Its former chairman, Mr Vladimir Kryuchkov, was an active coup leader; he and a handful of other senior KGB officers are under arrest.

Last Friday he was replaced as chairman by Mr Vadim Bakatin, the liberal former minister of the interior who was sacked and replaced by Mr Boris Pugo last December when Mr Gorbachev reshuffled the government under hardline pressure.

Shortly before Mr Gorbachev issued his decree yesterday, Mr Alexei Kondaurov, deputy chairman of the KGB's public relations department, sought to defend the organisation from charges that it had a played a central role in planning and executing the coup.

In an interview at its headquarters in Moscow, he said most senior officers of the organisation were not informed of the coup and took no part in it.

According to Mr Kondaurov, he and most other senior officials first learned of the coup attempt on their radios on their way to work. Like other Soviet citizens, he added, they were still seeking a rational explanation for actions which "contradicted all the rules and norms" of the sort of classic governmental overthrow in which the KGB specialised.

"It is difficult to qualify what happened as a putsch. Those who took part were already holders of the highest state offices. In effect they were overthrowing themselves. The whole situation was absurd," Mr Kondaurov said.

Apart from Mr Kryuchkov, only three other KGB officials were arrested after the coup, while another senior official, Mr Anatoli Beda, was removed from his post and five or six others had resigned, he said. Those arrested were Mr Victor Grushkov, deputy head of the KGB and a member of the now-disbanded collegium, Mr Yuri Plekhanov, and his deputy Mr Vycheslav Generalov.

Struck down by their favourite son

Ironically, Gorbachev was the KGB's 'nominee' for Soviet leader, writes John Lloyd

LAST Thursday night, as thousands massed outside the Lubyanka headquarters of the KGB to pull down the statue of the organisation's founder, Felix Dzerzhinsky, you could see the blurred faces of men, standing back from the windows, looking down at the destruction of their iron protector.

They did not attempt to stop the desecration, and the disciplined crowd did no more than make rude gestures at them.

They must have known that the days of the KGB's enormous power were over.

Enormous power there was. The KGB grew from an instrument designed to protect the Bolshevik revolution from its ideological enemies "by means of terror", especially during the civil war.

"The government of the workers," said Lenin in 1918, "cannot exist without such an organisation as long as exploiters remain in the world."

Conceived as an instrument of terror internally and of subversion abroad, the KGB, through successive renamings, simply extended these functions to monstrous dimensions.

All political activity regarded as even potentially hostile to the Communist Party and Soviet power was monitored and suppressed. During the 1930s, at the time of the purges, the KGB was used against the Party, the government, the military and finally against itself.

Always subordinate to the party, it was omnipresent in Soviet society and no clear lines separated its functions from politics, government, diplomacy, propaganda and the media.

Right up to the present period, its roles have included:

- taking an active part in the government of the country, including an oversight of all international treaties;
- suppressing internal dissent;
- guarding top officials;
- combatting industrial disaffection and increasing economic efficiency;
- investigating crime, including serious economic crime, a line of work which it has stressed recently;
- strengthening "social morals";
- providing information for the leadership;
- counter-intelligence;
- special tasks, including spying on senior officials for other senior officials.

The KGB has paralleled the party, whose shield it was designed to be, in its organisation.

It has republican and district organisations, and major offices in every large town – though in some of the independence-minded republics, such as the Baltics and Georgia, the local KGB, or part of it, has already gone over to the new leaders.

Its size and budget has never been disclosed. However, western estimates put the number of full-time KGB officers, at home and abroad, at 600,000-700,000, with the ability to call on a further 250,000 Internal Ministry troops and several millions of part-time and occasional volunteers and informers.

Of these, some 6,000 were permanently stationed abroad, in embassies and under the "cover" of trade missions, newspaper correspondents and tourists.

Peter Derlabin and T.H. Bagley, respectively former KGB and CIA agents, estimate in the book, The KGB: Masters of the Soviet Union, that the number of informants is as high as 10m.

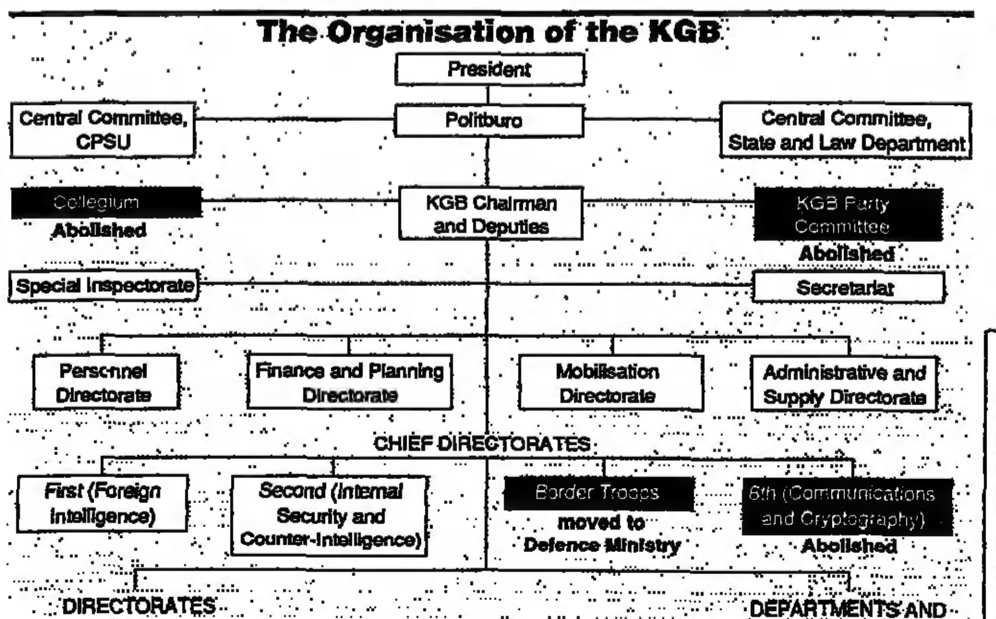
Traditionally, the KGB chief has been a member of the Politburo, but that understates its power at the very top.

Most senior communists have had contact, or even service with, the KGB or the closely associated Interior Ministry, and none would have been free from its influence.

Mr Yuri Andropov, briefly party chief in the early 1980s, had been head of the KGB – his protégé was Mr Mikhail Gorbachev, the KGB's "nominee" for the general secretary's post.

Now, with its chairman, Mr Vladimir Kryuchkov (a Gorbachev appointee), disgraced for turning in frustration against his master during last week's coup, the KGB has been struck down by its party favourite.

There is now an opportunity to recreate it as a "normal" secret service. But the Lubyanka holds a huge weight of dark secrets, which must now be threatened with the light of disclosure.



Source: Desmond Ball and Robert Windren, 'Soviet Signals Intelligence (Sigint): Organisation and Management', Intelligence and National Security, vol.IV (1989), no.4 and Oleg Gordievsky

Face down on the pavement, members of a suspected criminal gang are searched by a special police unit in the centre of the Ukrainian capital, Kiev. Ukraine, the Soviet Union's second largest republic, has been experiencing a growing crime problem, with some 150 gangs believed to be operating in the capital alone.

Territory dispute prompts dispatch of Russian and Soviet delegations to Ukraine

Republican heavyweights square off

By John Lloyd in Moscow and Ariane Genillard in Kiev

THE Russian and Soviet parliaments yesterday sent delegations to meet Mr Leonid Kravchuk, Ukraine's president, to discuss the rapidly worsening relations between the two largest Soviet republics.

Mr Alexander Rutskoi and Mr Sergei Stankevich, respectively Russian vice president and state counsellor, were first to fly to the Ukrainian capital Kiev, followed by a hastily arranged four-man deputation from the Supreme Soviet of the USSR headed by Mr Anatoly Sobchak, Leningrad's mayor.

The flurry of activity, aimed at retaining central influence in the deteriorating situation, follows Monday's statement by Mr Pavel Voshchanov, press secretary to Russia's President Boris Yeltsin, that all borders between Russia and those republics which did not sign the union treaty would be open to question.

Mr Sobchak said on Tuesday that Russia should not accept Ukrainian control of the Crimea, transferred from Russia by Mr Nikita Khrushchev, when Soviet leader, in 1954.

The other areas specified as open to question by Mr Voshchanov were the industrial Donbass region, where Russians and Ukrainians are intermixed, and the northern area of the republic of Kazakhstan, which has a majority Russian population.

Mr Leonid Kravchuk, the Ukrainian leader, said on Tuesday that the statement "sent reverberations through the republics. . . . territorial claims are very dangerous and could end in problems for the people". There would be no negotiations with Russia on the borders until after the republic had held a *referendum* on December 1, designed to ratify its declaration of independence last week, he said.

"People here feel no political treaty should be signed before the Ukraine has elected its president and adopted its own constitution," said a foreign ministry official.

Mr Kravchuk's firm attitude was widely supported yesterday by the Rukh nationalist movement, which called on its supporters to protest in front of the parliament building. Shouting "Independence!", demonstrators carried banners reading "Ukraine is a sovereign country and not a Russian province".

Mr Andrei Berezny, a university professor, among the angry crowd, said: "The attitude towards Mr Yeltsin has changed dramatically over the past two days. People feel he is taking *himself* for one of Russia's former tsars."

Russia and Ukraine are linguistically and ethnically close and have been governed as one for centuries. With Belorussia, which has also declared independence, the three make up the Slav core of the Soviet Union.

Baltic states to seek up to $3bn from west

By Robert Taylor in Riga

THE Baltic states will seek up to $3bn from western countries to help rebuild their shattered economies, Latvia's president, Mr Antolij Gorbunov, said yesterday. Presidential advisers, in co-operation with Estonia and Lithuania, were drawing up a joint plan on how the aid would be used, he added.

Mr Gorbunov expected the US to recognise the independence of the Baltic states by the end of the week. He said that Latvia had recognised Israel yesterday and that 16 countries were now in the process of establishing diplomatic relations with his country.

However, Mr Gorbunov admitted that serious problems remained over the future of the Soviet armed forces, the KGB, and the elite "Black Beret" security forces (Omon) in Latvia.

He said it would require "a period of very hard work" to solve those difficulties.

He said he had been assured by the new Soviet army command that the military would not interfere in Latvia's internal affairs. "We have control of our own territory, unless the Soviet armed forces intervene," he insisted.

Latvia's parliament has voted for the disbandment of both the KGB and Omon in the country. But yesterday KGB negotiators were still insisting there was a need for them to stay in Latvia, and the head of the Omon insisted his men would not be leaving either.

Mr Gorbunov, however, pointed out that both the Soviet defence and interior ministries had promised to remove the KGB and Omon from Latvia in the immediate future. He refused to be drawn on what would happen if the Omon stood firm in its barracks and refused to leave. But other Latvian officials said that force might be necessary as a last resort.

A growing difficulty for Latvia is the future of its nearly 49 per cent non-Latvian population. Mr Gorbunov said that the citizenship issue would have to be "decided immediately." But he sought to offer reassurance that this would be resolved with "tolerance and democracy."

The Russian minority opposition groups in the Latvian parliament are likely to insist that everybody in Latvia is treated equally.

Russia looks for quick settlement of Kuriles dispute

By Anthony Robinson in Moscow and Stefan Wagstyl in Tokyo

THE RUSSIAN government is expected to move quickly to improve political and economic relations with Japan by speeding up negotiations for the return of the four northernmost Kurile islands, captured by the Red Army at the end of the second world war.

Mr Georgi Kunadze, the Russian deputy foreign minister, told the Japanese news agency Jiji that settlement of the islands dispute was now a top foreign policy priority.

Mr Boris Yeltsin, the Russian president, he added, had softened his previous policy, which called for the staged creation of a joint economic zone without any commitment to hand back the islands.

Mr Kenji Tanaka, a senior Japanese diplomat, said yesterday: "We hope that recent events have been helpful in finding a solution to this problem which could open the way for signature of a peace treaty and greatly improved relations in all areas."

A high-level Japanese delegation is in Moscow this week to discuss the dispute - and to try to establish where power rests in the Soviet Union after last week's abortive coup.

The territorial dispute has blighted relations between Moscow and Tokyo and contributed to the low level of economic ties. Bilateral trade accounts for under 2 per cent of Japan's total trade.

Hopes that President Mikhail Gorbachev's historic first visit to Japan earlier this year might accelerate a settlement were dashed when it became clear that he felt he could not surrender territory.

Mr Yeltsin's pronouncements have varied - he appeared conciliatory on a visit to Japan last year but said on a subsequent visit to the Soviet Far East that Russia had no land to spare.

However, if the Soviet Union senses the Group of Seven industrial states are about to offer large-scale aid, its leaders may judge a settlement with Japan is indispensable. Only Japan has the huge financial resources to supply the funds.

Democrats press for US aid package

By Lionel Barber in Washington

LEADING Democrats yesterday urged President George Bush to support a big economic aid package for the Soviet Union to capitalise on the collapse of communist rule.

Mr Richard Gephardt, House majority leader, supported using funds from the US defence budget. Senator Bill Bradley, New Jersey Democrat and a long-standing sceptic on economic assistance to the Soviet Union, called for expanded aid to the republics to help them build market economies.

By calling in general terms for an aid package, the Democrats aim to highlight Mr Bush's cautious approach since the abortive Kremlin coup. The president has faced congressional criticism for waiting to extend diplomatic recognition to the Baltic states.

However, there are important differences in the plans put forward by Mr Bradley and Mr Gephardt. The former wants to see each Soviet republic eligible to apply for full membership of the IMF, World Bank, and European Bank for *Reconstruction and Development*. Each republic would compete for financing at these institutions as they would on capital markets.

Mr Gephardt is calling for credits, loan guarantees, and other forms of non-cash assistance conditional on reforms in the Soviet economy and phased over several years. The sums could reach $1bn and $3bn annually.

Crucially, Mr Gephardt's plan requires the relaxation of constraints in last year's budget agreement which sets separate caps for domestic, defence and international affairs.

French party in state of shock

By Robert Mauthner in Paris

THE FRENCH Communist Party, one of the last bastions of relative communist orthodoxy in Europe, has received a rude shock from the failed Soviet putsch which threatens to hasten its own demise.

Undecided which way to turn at the beginning of the coup, as the result mainly of the mental acrobatics of its long-time leader, Mr Georges Marchais, the party is involved in an agonising reappraisal of its ideological stance and its relationship to the governing socialists.

It is also threatened by serious internal divisions between its traditionalist wing, led by Mr Marchais, and an important group of reformers, including several former communist government ministers.

It took the party's political bureau eight hours yesterday to agree on a long declaration justifying the ambiguous position it took at the beginning of the abortive coup on August 19. At the time, while describing the manner in which President *Mikhail Gorbachev* was briefly overthrown as "unacceptable", it strongly criticised the meagre results and unfortunate social consequences of perestroika.

The general impression given by the original statement (even though subsequently copiously amended) and yesterday's *declaration*, is that the bulk of the politburo finds it difficult to reconcile itself to the new situation in the Soviet Union and, in particular, to the emergence of new democratic forces under the leadership of Mr Boris Yeltsin.

Meanwhile, the party finds itself both vilified and wooed by the socialists. While some prominent socialists believe their party should finally break all remaining links with their erstwhile partners of the Union of the Left, others still favour a wider left-wing grouping with a reformed communist party, because of its possible electoral advantages.

Portugal's hard-line communist party is in a similar position to its French counterpart, Patrick Blum adds from Lisbon. Key party members have called for the leadership's resignation and some have handed in their party cards in protest at the initial support for the Soviet coup and at the leadership's subsequent attempts to justify itself.

India rules out privatisation of state banks

By David Housego and Alexander Nicoll in New Delhi

DR Manmohan Singh, the Indian finance minister, yesterday ruled out privatisation of state owned banks which account for the bulk of deposits in the country.

"We have no intention of privatising the existing nationalised banks," he said. He specifically denied that there would be any sale of shares in State Bank of India, the largest state-owned bank. A few shares are already in private hands, and there had been market speculation in Bombay that a large share offer was in prospect.

He left little doubt that India was still at odds with the International Monetary Fund over the pace of reform in the financial sector. The IMF and the World Bank have been urging the government to cut subsidised bank loans to priority sectors and to reduce statutory and cash reserve ratios as a means of improving their weak balance sheets. The reserve ratios require banks to place 63 per cent of their deposits with the central bank.

Dr Singh said that the government's intention was to reduce its own borrowing from the banking sector by curbing the government's deficit. But of the statutory liquidity ratio, he said: "We have no plans to reduce it." He made clear that even after the banks had been restructured they would maintain a "social role" in providing subsidised interest rates to the underprivileged.

In a further disclosure of the government's intentions he said he would quantify the government's target for tariff reductions in the next budget in March. India has some of the highest tariff barriers in the world with an average weighted tariff of around 112 per cent.

The World Bank and the IMF have been been pressing the government to reduce these to 25 to 40 per cent over three years. But although the government has accepted the principle of tariff reduction, it has so far declined to set a target or a date for cuts.

On India's short term external liquidity problems, Dr Singh said: "We made a right beginning but we are still obviously not out of the woods."

The government has pledged to undertake a programme of structural reforms.

Hungary seeks foreign cash for toll roads

Andrew Taylor reports on plans for a transport revolution in the heart of Europe

THE spectacle of heavy lorries grinding through picturesque villages on the shore of Europe's biggest freshwater lake in southern Hungary demonstrates the huge problems facing eastern Europe as it struggles to raise the money to rebuild inadequate roads.

The E71 road which runs for 80km along the southern shore of Balaton Lake is an important trade route connecting northern Yugoslavia and the port of Trieste in northern Italy with Budapest, the Hungarian capital.

The region is very beautiful. Thousands of tourists visit, many by car, competing with lorries for road space and adding to environmental problems. The only motorway section runs for 90km northwards from the lake to Budapest.

The Hungarian government, in an attempt to raise money to build new motorways, is planning to invite international companies to bid for concessions to finance, build and operate up to 500km of new toll roads. This could include a motorway from Lake Balaton to the Yugoslav border.

Similar moves may be expected from other eastern European countries which lack the finance to build their own roads.

Invitations to tender for the first of Hungary's private toll motorways are to be advertised next month in the official journal of the European Commission.

European and US companies which have been advising the Hungarian government and may be among the bidders include Italstat, Italy and Europe's biggest toll road operator; Transroute, which represents a number of French toll road companies; and Bechtel, the US engineering group.

The motorway, the Hungarian M1, will connect Budapest to the Austrian and Czechoslovak borders. It is expected to cost Forint 11.8bn ($168m) to build – rising to $336m after allowing for interest charges and inflation. The concession will run for between 20 to 50 years after which the road will be returned to the state.

Other motorways in the Hungarian road programme which could be be financed privately include the M7, to bypass holiday towns along Lake Balaton; the M5 which will travel south-east towards borders with Yugoslavia and Romania; and the M3 which will open up the eastern regions of Hungary towards the Soviet Union.

The aim is to prevent roads becoming clogged as car ownership rises and trade between western and eastern European countries increases.

Hungary's position at the heart of Europe bordered by Austria, Czechoslovakia, Yugoslavia, Romania and the Soviet Union puts it at the crossroads of international trade routes. Many of the container lorries which pass through the country will begin and finish their journey outside its borders.

The motorway which will pass Lake Balaton is expected to become a small chain in a network from the Black Sea to the Baltic, linking Yugoslavia, Italy, Greece and Turkey in southern Europe through the former eastern bloc countries of Hungary, Romania, Bulgaria and Romania to the port of Gdansk in northern Poland and eastwards to the Soviet Union.

Plans for a Trans-European North-South Motorway (TEM) were proposed in 1977 by Economic Commission for Europe, part of the United Nations organisation. So far only 2,000km have been constructed of the 10,000km proposed.

A further 4,200km are at various stages of design and development, says the commission.

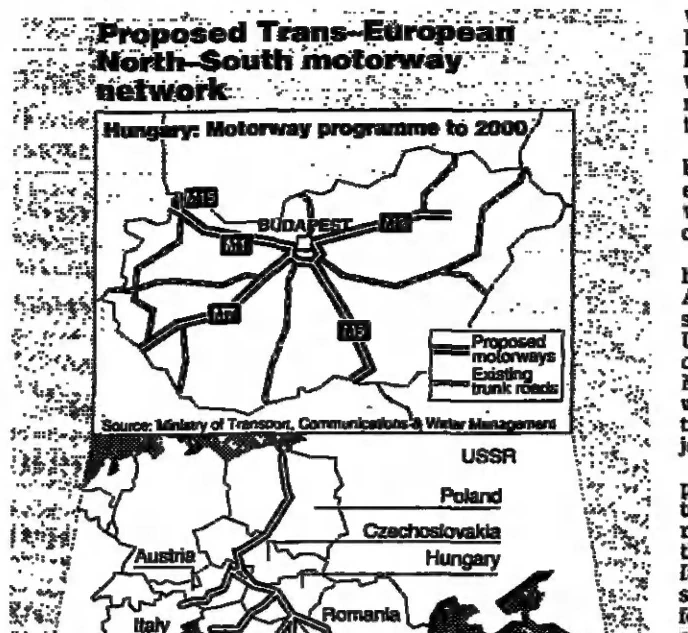
Mr Alastair Dick, a British transport consultant advising the Hungarian government, says: "The need for new roads will become more pressing as economies expand. Road transport is more flexible, and will achieve results more quickly than if similar sums were invested in railways."

Railways, which previously carried the bulk of traffic in eastern Europe, will require substantial changes if they are to be modernised and integrated with western European railway systems, according to Mr Dick.

The problem facing the Hungarians and any other eastern European country trying to raise private road finance will be to set tolls high enough to satisfy investors and lenders but without penalising emerging businesses in the domestic economy.

Lenders, which could include the newly formed European Bank of Reconstruction and Development and the European Investment Bank, may also wish to see financial guarantees from Budapest.

This could include the government taking a stake in the concessionaires. It might also provide financial assistance to encourage lower tolls. Foreign vehicles might be encouraged to pay tolls in their own currency while domestic users would pay in forints.



East Germany's Reichsbahn railway needs some DM50bn ($28.5bn) for modernisation and is not expected to make a profit for the next 10 years, according to Mr Heinz Dürr, the management board chairman of the west German Bundesbahn, Reuter reports from Bonn. Mr Dürr, who recently took charge of the eastern system, told German radio the amount did not include the cost of cutting Reichsbahn jobs from the current 200,000.

Industrial recovery 'will be slow' in Sweden

By John Burton in Stockholm

THE Swedish Federation of Industries, in a gloomy forecast before general elections on September 15, yesterday predicted industrial output would not recover to its 1989 peak until the end of the century.

Industrial production will fall by 6 per cent this year and 3 per cent in 1992, returning to level before the 1982 devaluation, which marked the start for an economic boom during the 1980s.

The Swedish economy will continue to contract, with gross national product falling by 1.5 per cent this year and 0.9 per cent in 1992 as it starts to level out during the second half. But the recovery thereafter will be long and difficult.

Unemployment will rise to 6 per cent by the end of 1992, according to the federation, which has been criticised by the Social Democratic government for being too pessimistic in its economic prognoses.

Mr Ola Virin, the federation's chief economist, said Sweden was threatened with gradual deindustrialisation, which would result in declining exports and a long-term trade balance deficit rather than the surplus the country now enjoys.

He noted that industry's share of GNP had fallen below 20 per cent in 1990, the first time since the beginning of the 20th century.

The federation conceded that inflation had been brought under control.

Genscher wants faster EC decision-making

By David Goodhart in Bonn

RECENT EVENTS have shown that the foreign policy decision-making process of the European Community needs to be "drastically improved", according to Mr Hans-Dietrich Genscher, the German foreign minister.

In a newspaper interview published today, Mr Genscher makes a plea for majority voting on foreign and security matters, and says it is "an illusion" to imagine that in crisis situations the EC can act effectively while sticking to the principle of unanimity.

Mr Genscher emphasised his wish to see an extension of the political, economic and social "stability zone of the EC" to the whole of Europe but also said the Conference on Security and Co-operation in Europe (CSCE) would have a more important role to play in future as a "European security council".

In the light of the failed coup in the Soviet Union, Mr Genscher called for a new disarmament initiative for short-range nuclear weapons and nuclear artillery.

In a separate statement, Mr Genscher said EC countries must open their markets to central and eastern Europe. "Opening the borders would certainly have a negative effect on certain sectors in the EC – farming, steel and textiles – but it must be done to avoid far greater problems in the countries effected," he said.

The German cabinet yesterday officially re-opened diplomatic relations with the three Baltic states of Estonia, Latvia and Lithuania. Official recognition was not required as the Federal Republic never accepted their absorption into the Soviet Union.

However, Mr Vytautas Landsbergis, the Lithuanian President, yesterday criticised Germany for recognising Baltic independence only after Russia had already opened the way.

Banks seek easing of tax

GERMAN banks are pressing the Finance Ministry to take three-quarters of investment income tax payers out of the tax net.

The ministry is drafting legislation following a constitutional court ruling in June which declared the present system of voluntary investment income declaration inequitable because at least half the potential taxpayers were failing to pay up.

The court ruling puts the government in a quandary, as most measures to comply risk provoking a flight of capital that could jeopardise the unification funding process.

The Federal Association of German Banks favours a solution that raises dramatically the tax-free allowance for smaller savers, but at the same time leaves intact the much-prized German banking secrecy laws. Investment incomes in excess of a new generous ceiling would face an initial levy of 20 to 25 per cent at source, paying the balance at their marginal rate with their annual income tax submissions.

Investors can currently earn DM600 ($342) a year (DM1,200 for married couples) without tax liability. The association says that if the allowances were raised to DM5,000 and if long-term pension plans were exempted, that would remove three quarters of all domestic investors from the investment income tax net altogether.

Annual inflation rate dips

WEST GERMANY'S annual inflation rate, about which the Bundesbank has shown marked concern in the past few weeks, eased in August to 4.1 per cent from 4.4 per cent in July, the Federal Statistics Office said. Andrew Fisher writes from Frankfurt.

The reduction stemmed mainly from lower prices of some seasonal foods and cheaper heating oil. The figure, based on provisional returns from four large states – Bavaria, Hesse, North Rhine-Westphalia, and Baden-Württemberg – is still above levels that the Bundesbank has indicated it would find acceptable.

● Consumer prices in the European Community rose an average 0.5 per cent in July after 0.4 per cent in June, for a year-on-year rate of 5.3 per cent compared with 5.1 per cent in the year to June, according to Eurostat, the EC statistics office, Reuter reports from Luxembourg.

BA hits snag over German air service

By Leslie Colitt in Berlin

BRITISH AIRWAYS and a group of German banks have hit serious delay in their attempt to set up a successor airline to BA's internal German service.

Talks between BA and OTV, the public service and transport union, over lower wages and reduced staff for the new airline, Deutsche BA, have been "frustrated", Mr Paul Giblin, BA's area manager for Germany, said yesterday. BA will own 49 per cent of the new airline. The investment arms of Commerzbank, Bayerische Vereinsbank and Berliner Bank will hold the majority stake, for it to qualify as a German airline.

The delay will force BA to cut its German service another 10 per cent next winter, after a 20 per cent cut this year. Because of German unification, foreign airlines must wind down their internal German flights by 20 per cent a year, up to 1993. By that time, though, BA would have to give up a large portion of its slots – take-offs and landings – at German airports which are equivalent to market share.

Mr Giblin stressed BA and its German partners were seeking a lower-cost structure for the new airline amounting to "significant cuts" in pay and cabin crews – difficult under German law as companies forming a new group must agree with the unions on how many employees are to be transfered to the new operation. Both sides had given ground, but the union was resisting further concessions, he said. New talks were scheduled for September 11 but agreement was still a long way off. The differences centre on wages and working conditions which affect staff levels.

BA said it would close several of its German routes flown with turbo-prop aircraft in the coming winter, in reaction to the 10 per cent cut in slots and a German demand that all turbo-prop airliners be moved from Tegel Airport, Berlin, to Tempelhof Airport. This would have involved a costly split of operations. But routes closed were the smaller ones.

Serbia keeps iron grip on the media

By Laura Silber in Belgrade

WHEN Yugoslav federal army jets bombed the Croatian city of Vukovar earlier this week, the Serbian state-controlled media triumphantly announced that Vukovar was being "liberated".

This cynical description followed intense violence. Thirty people were reported killed when the city was captured. Film from the two-day attack showed it in ruins. But those shots were not broadcast on Belgrade TV. Except for a handful of Belgrade-based opposition programmes, Serbia's ruling Socialists (SPS) keep an iron grip on radio and TV. "They use half-truths to control and manipulate public opinion," Mr Zoran Djindjic of the opposition Democratic Party says.

In an attempt to mask Serbia's isolation, Belgrade Television on Tuesday claimed a visit of three Britons was an official delegation. In fact, the three – the Duke of Somerset, Mr Henry Bellingham, a Conservative MP, and Mr John Kennedy, a prospective Conservative candidate – were on a private visit as guests of the Serbian government.

The "official visit" was the first item on Tuesday's evening news, before the battle scenes from Croatia, and half an hour before the information that the EC had recognised the Baltic republics. Extended nightly broadcasts include excerpts from the foreign press so distorted it appears the west supports Serbia.

"I do not believe anything on Belgrade Television, even the subtitles on foreign films," Mrs Jelka Drazenovic, a Belgrade journalist, told a hall packed in protest at the crackdown on the already-repressed media. "The SPS behaves as if it is the ideological occupier of Serbia," says Mr Djindjic. In March, the opposition protested against the Socialists' hold over the media. The protests, which left two dead, led to the sackings of media chiefs.

But after a brief respite, Belgrade Television reverted to its old politics, in an attempt to shelter Serbia from the change which has swept the Soviet Union. The government of Serbia, under President Slobodan Milosevic, last week purged the media. Eleven editors were sacked and most remaining ones resigned in protest. The new media bosses excel in the art of propaganda. Mr Vojislav Micovic, the new director of Belgrade Radio, received his doctorate in the communist ideology of special media wars.

Commuters wait to board extra buses yesterday morning on Lexington Avenue which was closed to all other traffic

SUBWAY CRASH BRINGS HAVOC TO MANHATTAN

NEW YORKERS battled through grid-locked streets and pavements yesterday to get to work after one of the worst accidents on the city's subway system wreaked havoc with transport, but residents were loath to blame the transit authority for the crash, Karen Zagor reports from New York.

A train jumped the tracks as it was crossing from express to local lines shortly after midnight, killing six people and injuring 178.

As local and national investigators started sifting through the rubble yesterday, the cause of the accident was far from clear. Some passengers said they heard an explosion, others said the train was going too fast before it passed two stations and then crashed.

Transit police found a vial of "crack" cocaine in the cabin of the train driver, who disappeared and was later found at home. Investigators will almost certainly try to find out why the train's automatic shut-off system failed.

In spite of the grime in many subway stations, the New York subway system is remarkably safe. About 20 trains derail each year, but there are few if any injuries and this is the first serious derailment since December 1988, when 15 people were injured when a crowded train jumped the tracks.

Mr Gene Russianoff, a staff lawyer with the Straphangers Campaign, a consumer advocacy group, said: "Given the age of the system in general it has a very good safety record. Things could be improved, but safety is a priority."

Transit authorities said the Lexington Avenue line on which the crash happened had been overhauled in the last three to four years.

The discovery of a crack vial may lead to renewed calls for drug-testing for transit employees. For passengers, mugging and robbery is more of a worry than equipment.

Hong Kong inflation edges up

By Angus Foster in Hong Kong

HONG KONG'S inflation rate, which many businessmen now call their main headache, edged up again last month to 12.6 per cent from 12.3 per cent in June.

The increase was mainly due to higher food prices in the wake of China's floods. The rise comes less than a week after the HK government raised its inflation forecast for the year by 1 percentage point to 12 per cent.

The government said yesterday's increase is temporary, and claims inflation is on a downward trend, compared to April's peak of 13.9 per cent. It hopes for a sustained fall in inflation later in the year.

But businessmen fear that high inflation, coupled with a low unemployment rate and rising wage demands, is undermining competitiveness. The problem is urgent, they say because inflation is expected to rise again as spending gets under way from 1993 on Hong Kong's new airport.

Inflation has also become an issue for Hong Kong's first direct elections next month, when popularly-elected politicians will for the first time have 18 out of 60 seats in the colony's ruling Legislative Council.

A package of anti-inflationary measures introduced by the government in May has been dismissed as stop-gap measures. Plans to widen the tax base by introducing a sales, or consumption, tax have also been strongly criticised as inflationary.

Inflation also appears partly to blame for speculation in the property market. Property prices have risen sharply this year, sometimes by over 20 per cent. With inflation so high, investing in property is one of the few ways to protect capital.

Cambodian peace talks bog down

Cambodian peace talks bogged down yesterday on the Phnom Penh government's renewed insistence that guarantees against "genocide" be included in a draft peace accord, Reuter reports from Pattaya, Thailand. Radical Khmer Rouge guerrillas objected to the contentious word alluding to their group's 1975-79 rule.

Phnom Penh, which earlier said it had dropped the issue, wanted the reference to genocide as a measure "to prevent dangerous accidents", not recall the past, Prince Norodom Sihanouk, chairman of the Supreme National Council (SNC), said.

China aids Burma

China has pledged modest development aid to Burma, the first it has received from a foreign government since the military leadership took power nearly three years ago, Chit Tun reports from Rangoon.

This follows a visit to China by Gen Saw Maung, chairman of Burma's State Law and Order Restoration Council, the army grouping which runs the country. Most western donors suspended their aid when the council took over.

Government success gives hope to Singapore's opposition

The ruling party is bound to win Saturday's election, but the other parties can take some comfort. **Kevin Brown** reports

SINGAPORE'S 1.7m voters go to the polls on Saturday knowing that the People's Action party (PAP), which has governed their island state since independence in 1965, will be in power for at least another five years.

The government has already won the election because the divided opposition parties were able to field candidates for only 40 seats – giving the PAP an automatic majority in the 81-seat parliament.

The opposition slate looks like a retreat from the last election in 1988, when candidates stood against the PAP in 70 seats and won one. Paradoxically, however, the weakness of the opposition parties may present them with their best prospects for years.

Mr Goh Chok Tong, the prime minister, called the election two years early in search of electoral approval for his appointment nine months ago to replace Mr Lee Kuan Yew, prime minister since independence.

Mr Goh has affected a more relaxed style than the robust Mr Lee, and has sought to demonstrate a more liberal approach by relaxing film censorship laws and proposing subsidies for education and medical care.

His aim is to reverse a downward trend in the PAP vote, which fell from 77 per cent in 1981 to 63 per cent in 1988. Success would strengthen his position, but failure could provoke a further government shake-up by Mr Lee, who remains party secretary-general and a senior cabinet minister.

The announcement of the election caught the opposition parties unprepared. Most have not even published a manifesto for the 10-day campaign. But the government's victory on nomination day has raised hopes in the two main opposition parties that a breakthrough may be imminent.

"We accept that the people of Singapore want the PAP to remain in power. But they already know that the PAP will form the next government, so people are free to vote for the opposition without fearing that they will be rejecting the PAP," says Mr Chiam See Tong, leader of the centrist Singapore Democratic party, and the sole opposition MP elected in 1988.

"We believe people want to see a strong opposition in parliament which is capable of keeping a check on the government. The PAP has a track record of governing Singapore without corruption and with some economic success. But the grouse of the people against the PAP is that it is too authoritarian and there is no remedy for harsh policies inflicted on individuals."

Mr J B Jayaretnam, leader of the centre-left Workers party, is unable to contest the election because he is banned from parliament until later this year following a conviction for mishandling party funds.

But he also thinks the government's early victory will help the opposition. "I don't agree that the Singapore people want the PAP to continue in government forever," he says. "I think there is a growing proportion of people who want a change of government, although it has not yet reached the level where we are threatening the government."

Both opposition leaders dismiss Mr Goh's claims to have liberalised Singapore, pointing to the continued use of the Internal Security Act to arrest political dissidents, and the lack of balance in the government-controlled media.

"There has been no change in Singapore. All Mr Goh has done is allow people to see more of women's bodies by bringing in R-rated [restricted] films," says Mr Jayaretnam.

Political analysts say there is no reason to believe voters are any more ready to accept the need for strong parliamentary opposition than in 1988, especially since neither Mr Jayaretnam nor Mr Francis Seow, a charismatic former SDP leader, are standing this time.

Nevertheless, the PAP has been sufficiently rattled by the opposition strategy to accuse some popular candidates of promoting or condoning tension between Singapore's Chinese majority and the Malay and Indian minorities.

The opposition, which claims the government is scaremongering, says this kind of campaigning smacks of a party which is beginning to lose its way. "Singapore is facing the same kind of problem as other countries which have a strong one-party state," says Mr Chiam.

"On the one hand they realise that they have to liberalise, but they also know that if they go too far they will lose political power. That is the dilemma the PAP faces."

Opposition leaders are forecasting that the government share of the vote will fall below 60 per cent for the first time, leading to the election of up to six opposition MPs.

Most commentators think a breakthrough on that scale unlikely. But even one extra seat and 2 per cent off the government vote could be disastrous for Mr Goh. "If the PAP vote drops to 60 per cent, that is a defeat, and the writing would be on the wall for him," says Mr Bilveer Singh, senior political science lecturer at the National University of Singapore.

INTERNATIONAL NEWS

Israel seeks $10bn loan guarantees from US

By Hugh Carnegy in Jerusalem

ISRAEL is preparing to present next week its formal request for US government guarantees to back borrowing of $10bn needed to fund Soviet Jewish immigration to Israel.

The Israeli government, already the biggest recipient of US foreign aid, made public its call for the loan guarantees early this year.

But it agreed to delay formal application until after the US Labor Day holiday on Monday as a condition for emergency Gulf war aid from Washington.

Israel, which receives annual US grant aid of $3bn, topped up this year by some $700m towards Gulf war costs, says it needs the loan guarantees urgently to help cover the $50bn that Soviet immigration is expected to cost in the first half of the decade. The guarantees would allow Israel to borrow at more favourable rates than otherwise.

The government has also approached several European countries, notably Germany, with requests for similar financial assistance.

The Bush administration has reacted coolly, at times signalling it would tie approval to concessions by Israel on Arab-Israeli peace efforts. It has been angered by Israel's continued defiance of US calls to stop building Jewish settlements in the occupied territories while simultaneously calling for more aid.

The Israelis are hoping traditionally strong political backing in Congress will ensure the loan guarantees go through. But they are worried that both the administration and Congress might attach strings.

The latest concern is over what proportion of the guarantees the administration will set aside in the budget against an Israeli default. Although the guarantees do not involve payment of US government cash for Israel, a budgetary provision has to be made.

Reports from Washington suggest the provision could be as high as 8 per cent of the value of the guarantees, about four times what Israel says is sufficient. Such a high "scoring" would mean a higher cost to taxpayers, making congressional resistance more likely.

Gadaffi turns his pipedream into reality

COLONEL Muammer Gadaffi, the Libyan leader, celebrated the realisation of a dream yesterday: a vast and sophisticated pipeline with a subterranean network of arteries bringing water from beneath the Sahara to fields along the coastal strip, AP reports from Benghazi, Libya.

Arab and African heads of state – including President Hosni Mubarak of Egypt and King Hassan of Morocco – joined hundreds of foreign diplomats and official delegations at a ceremony to mark the achievement.

Even critics of the project are awed by the engineering and technology required to bring 2m cu meters of water a day through about 2,000 km of pipeline linking Benghazi and Sirte with 270 wells in east-central Libya.

But they regard the dream as a monument to vanity that makes little economic sense in a country where the UN Development Programme says 94.6 per cent of territory is desert wasteland.

Libya believes the aquifer feeding the pipeline will last 50 years. But critics say no one knows for sure and that there has been no adequate evaluation of the environmental impact.

Col Gadaffi inaugurated the pipeline project in August 1984. It has taken seven years and about $5bn to finish the first of five planned phases. Completing the project will cost an estimated $20bn-$25bn more.

But Mr Angus Henley, who monitors Libyan affairs for the London-based Middle East Economic Digest, noted that for $5bn the Libyans could have built up to five desalination plants producing nearly 4m litres of water a day each.

The pipeline was "Gadaffi's pet project. He wants to be seen as something other than the scourge of the west," Mr Henley added.

Sanctions and the evidence of what an even more severe embargo have wrought in Iraq have heightened the Libyan leader's drive to make his nation self-sufficient in food and strategic industries.

But even with the pipeline, food self-sufficiency seems impossible in a country where food accounts for 20 per cent of all imports, where less than 20 per cent of the population works in agriculture and where only 1.4 per cent of the land is arable.

The first phase of the project is designed to satisfy the domestic and industrial thirst of Benghazi and Sirte, along with agricultural needs. But Libyan officials have said about 80 per cent of the water will be used to irrigate old farms and on efforts to reclaim the desert.

Roughly 80 per cent of the country's agricultural production is in the coastal regions. However, water in coastal aquifers is becoming more saline and levels are not being replenished quickly enough.

King Hussein in London visit

By Mark Nicholson

KING Hussein of Jordan arrived in London yesterday and is expected to hold talks with Mr Douglas Hurd, the foreign secretary, to sustain the momentum towards holding a Middle East peace conference.

The King's visit to London, where he is expected to stay at least a week, follows talks in Vienna earlier this week with Mr Kurt Waldheim, the Austrian president, and weekend discussions in Amman with Mr Yassir Arafat, chairman of the Palestine Liberation Organisation (PLO).

Although Jordanian officials stressed that King Hussein is visiting London privately and essentially to rest, he is keen to meet Mr Hurd to discuss the mechanics of a Middle East conference.

However, British officials said that no meeting had so far been arranged.

Jordan has offered to form a joint delegation with the PLO for a peace conference. The Palestinians are deferring a decision on this until a meeting next month of the Palestine National Council, the organisation's supreme policy-making body.

Mr Tahir al-Masri, Jordan's Palestinian-born prime minister, who is due to join King Hussein in London this week, said yesterday that a committee had been formed in Amman to discuss ways of representing Palestinians at a peace conference.However, Mr Yitzhak Shamir, Israeli premier, said yesterday during a visit to Bulgaria he believed a conference could proceed without any Palestinian representation.


King Hussein: keen to meet Douglas Hurd

N Korean GNP shows first fall

NORTH KOREA'S economy shrank for the first time in 1990, by 3.75 per cent, and is likely to suffer this year, a South Korean government report said yesterday, AP-DJ reports from Seoul.

The National Unification Board, which handles inter-Korea affairs, said North Korea's gross national product was estimated at $23.1bn in 1990, down from $24bn in 1989. GNP measures the total output of a nation's goods and services.

The north's per capita income also declined, to $1,064 in 1990 from $1,123 a year earlier.

The report blamed the setback on low productivity, outdated facilities, power shortage and sluggish trade. The north's trade stood at $4.64bn in 1990, down 4 per cent from 1989.

North Korea's 1990 trade deficit was $600m but its total external debts rose to $7.86bn from $6.78bn previously.

Japanese police arrest four over arms exports

POLICE investigating a Japanese electronics company which has admitted illegally shipping missile parts to Iran yesterday arrested four of the group's top executives, writes Stefan Wagstyl in Tokyo.

Charges are expected to be laid soon in the case which concerns components supplied during the Iran-Iraq war by Japan Aviation Industry Electronics Company, a maker of aero navigation systems and a 50.2 per cent-owned subsidiary of NEC, the electronics group.

The case, the first instance of criminal proceedings being started over an allegedly illegal arms export, has embarrassed the Japanese government which has a long-standing ban on arms exports.

The four men arrested are Mr Yukio Kaito, the company's former president, two directors and the head of the company's aerospace electronic equipment department. Police said the components were supplied to Iran via Aero Systems Pte, a Singapore subsidiary of Aero Systems Inc, an aerospace sales company based in Florida. The sales involved 1,500 flywheels worth Y35m ($255,000) and took place in 1988 and 1989.

The men are alleged to have infringed Japan's foreign exchange and trade laws by falsely labelling the goods.

EC reconsiders photocopier duties

THE European Community could drop or cut anti-dumping duties put on a range of Japanese photocopiers in 1987, an EC official said, Reuter reports from Brussels. Leading makers hit by 20 per cent duties include Canon, Sharp, Fuji Electric, Matsushita Electric Industrial, Minolta Camera, Ricoh, and Sanyo Electric.

Unless companies have a strong case for duties to continue, they will lapse in six months.

Africa 'faces an unrelenting crisis'

By Michael Holman, Africa Editor

AFRICA faces "an unrelenting crisis of tragic proportions" without substantial extra support for the continent's economic reforms, Mr Javier Pérez de Cuéllar, UN secretary-general, warned yesterday.

Economic and social conditions "actually worsened" over the past five years, despite a recovery programme launched by the UN in 1986, Mr Pérez de Cuéllar says in a foreword to a 34-page report to be debated at the UN during a two-week session starting next Tuesday. Only a global pact between the international community pledged to increase assistance, and African states committed to continued implementation of economic reforms, will overcome "the greatest development challenge of our time."

The UN study is not likely to go unchallenged. Recent assessments by the World Bank, the leading supporter of structural adjustment in Africa, see signs of recovery in those countries implementing reform programmes. Western governments may ask why the report makes only passing reference to high military spending in Africa, and says little about linkage between "good government" and aid levels, a concept playing an increasingly important part in the west's development strategy.

The report, critical of what it sees as an inadequate western response to the African development strategy drawn up at the 1986 UN special session, seeks at least $30bn in net official development assistance (ODA) in 1992, in addition to external debt relief. It urges an extra 4 per cent ODA a year until the year 2000 to sustain an annual 6 per cent growth over that period in sub-Saharan Africa.

According to the report, real net resource flows to Africa fell between 1986 and 1987. Measured in 1986 prices and exchange rates, net flows fell from $24.6bn to $23.3bn. The 6 per cent growth target, the report notes, would double per capita income in sub-Saharan Africa, currently about $350, by the year 2015.

The UN study paints an almost unremittingly bleak picture of economic developments in Africa since 1986. Real GDP grew by an average 2.3 per cent during 1986-90. "Drought, political instability, civil strife, military conflicts and, often, less than effective policies to mobilise and utilise domestic resources continued to be the cause and consequence of the poor economic performance of most countries." The problems were exacerbated by reduced export prices and higher import costs, and a "crippling" debt-servicing burden coupled with "entirely inadequate net resource flows".

Insecurity caused "a tremendous amount of capital flight", nearly $30bn for 1986-90, the report estimates. Africa's external debt rose from $212.2bn in 1986 to $271.9bn in 1990, with sub-Saharan African debt increasing from $103.6bn to $147.9bn over the period. "It is simply not possible for African countries to develop" under the burden of servicing this debt, the report says.

It proposes cancelling official bilateral debt, including export credits, and reducing debt owed to multilateral institutions, which accounts for nearly 40 per cent of sub-Saharan Africa's debt servicing obligations.

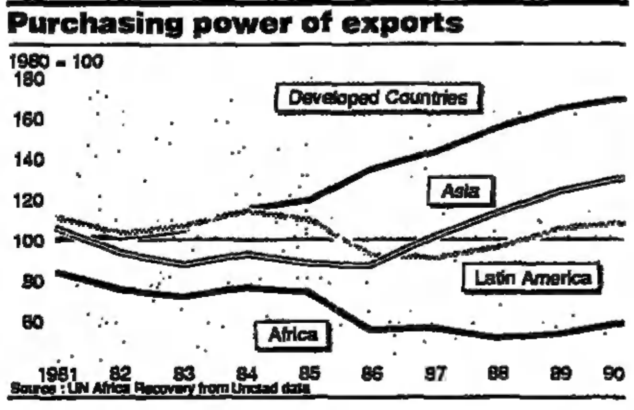
Many African countries have taken steps to curb population growth, but the continent's population growth of 3.1 per cent a year outstripped increases in food production. By 1989, "the value of food imports purchased was more or less at its 1981 level". Between 1986 and 1990, African agricultural production grew 3 per cent a year, but on a per capita basis, "Africa recorded an annual decline of 1.7 per cent over the period".

In calling for new efforts to stabilise commodity prices, especially coffee and cocoa, and improved access to international markets, the report points out that the continent's terms of trade declined markedly since 1986. "While the volume index of exports increased by 7.5 per cent, the unit value index dropped 23.2 points." At the same time, the unit value of Africa's imports rose nearly 13.9 per cent. More bleak statistics pepper the report.

The under-five mortality rate is 182 per 1,000, the world's highest. Africa's brain drain continues, with 50,000-60,000 middle- and high-level managers thought to have emigrated over the five years. Intra-African trade "remained marginal" at about 6 per cent of total African trade. Afforestation is replacing, on average, less than 7 per cent of trees felled. Those living in absolute poverty have risen from 270m in 1986 to 335m in 1990, "representing 53 per cent of the African population."

The report proposes the creation, under the UN aegis, of a committee equally comprised of African and non-African members, to oversee "a new compact for African development in the 1990s". Failure of such a compact, warns the report, would see Africa "continue in stagnation and despair, with repercussions for the entire world".

Purchasing power of exports



Source : UN Africa Recovery from Unctad data

Mr Javier Perez de Cuellar said yesterday he would not seek a new term as United Nations secretary-general, Reuter reports from Geneva.

His successor will be chosen during the UN General Assembly starting on September 17, but no clear front-runner has emerged. He succeeded Austria's Kurt Waldheim in January 1982 to become the world organisation's fifth chief.

He has often said he would not stand for another term but diplomats in New York and Geneva think he might still run for at least part of a third term.

ECONOMY

Slow, hesitant recovery is predicted by institute

By Rachel Johnson, Economics Staff

THE UK RECESSION appears to tailing off into a slow and hesitant recovery, according to an independent think-tank.

However, the National Institute of Economic and Social Research is cautious about the extent, strength and timing of the eventual upturn.

If one comes at all, the turning point in the cycle will be in the second quarter of next year, *the institute predicts in* its latest review of the domestic economy.

"A rapid recovery next year is quite possible, but so is a year of no growth at all," it says, in one of its characteristically-downbeat quarterly appraisals of the economy.

Its review supports last week's forecast from the Confederation of British Industry, which claimed that a statistical upturn was due later this year, and the Bank of England's con*clusion that the economy was* "bumping along the bottom." It warns, however, that the margin of forecasting error is widest as the economy moves out of recession.

With German interest rates not much lower than UK rates – which have dropped 4 percentage points since Britain joined the European exchange rate mechanism – there is little room for more cuts.

With the recession now not *expected to intensify, the insti*tute expects just a one point reduction in interest rates next year, even though "the aftermath of the recession will be with us for most of next year."

Although output will be rising – by 1.7 per cent next year, after a 2 per cent fall this year – so will unemployment, to 2.8m by the fourth quarter.

The institute also agrees with the CBI that an overall rise in gross domestic product next year – bringing the reces*sion to* a technical end – will not prevent trading conditions worsening in many sectors.

"Bankruptcies, repossession and bad debts will remain at very high levels," it says. Industries with good export opportunities will return to relative prosperity, but those dependent on building or fixed investment will see conditions worsen.

In the medium term, there will be a reduction in the inflation rate to about 4 per cent. Over the next few years, however, UK inflation will have to undercut Germany's for competitive reasons, requiring a UK unemployment rate a "good deal higher than Germany's for the foreseeable future."

It also envisages a return to large-scale public-sector borrowing as taxation revenues lag behind company profits and benefit payments escalate with unemployment.

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Growth rates 'will return to average'

THE WORLD'S leading economies will return to average growth rates over the next 12 months, the National Institute of Economic and Social Research predicted yesterday writes Rachel Johnson.

In its latest quarterly review of the world economy, the institute suggests that in the last 12 months, economies had been "out of phase." There had been recessions in the UK, US *and Canada* – leading to falling interest rates – while Japan and Germany had continued to have strong growth.

The other main European economies had also largely avoided recession. But the restraints imposed by membership of the European Exchange Rate Mechanism (ERM) had resulted in slower growth, a consequence of the strength of the D-Mark and high German interest rates.

Neither Canada nor the US would have strong recoveries, but a revival in domestic demand should ensure that both economies grow by 2.5 per cent to 3 per cent in 1992. The institute foresees the US having to raise interest rates to curb accelerating inflation.

In Japan, tight monetary policy would ensure slower domestic demand in the second half of the year.

The institute suggested that the D-Mark was undervalued by between 5 and 15 per cent *against other European cur*rencies. "This misalignment cannot persist permanently, and if nominal exchange rates do not change then eventually relative *price levels* will adjust," it said.

French inflation would be lower than German for much of the next decade. The French path to monetary union with Germany would be smooth, as it would for the French, Dutch, Belgians, Danes and Austrians. The Italians, however, would be forced into one realignment before union.

Policy advice could avoid errors

By Rachel Johnson

THE BOOM of the late 1980s and recession of the early 1990s have undermined the government's case for retaining an independent economic policy, according to the National Institute Economic Review.

In an analysis of the causes of the current recession and the chances of breaking the boom-bust cycle, the institute suggests an advisory council of economic experts to help the government avoid repeating the errors of the past 10 years.

It acknowledges that governments would be tempted to pack such a body with sympathisers, but argues that it could help the UK achieve stable growth before it ceded monetary and fiscal authority to Europe.

The analysis argues that the 1980s boom was not simply a consequence of the excessive lending which followed deregulation, which started in 1979 with the abolition of foreign exchange controls.

This recession should turn *out to be less severe than the* 1974-1975 and 1980-1981 recessions – *starting as it did with* lower inflation and a higher level of unemployment than the previous two – but it has had an unprecedented impact in terms of insolvencies, bankruptcies and repossessions of mortgaged properties.

High levels of borrowing and the ensuing boom were "activated by over-optimism about the economy's performance". In the second half of the 1980s the borrowing requirement of industrial and commercial companies and the personal sector rose sharply.

Company borrowing rose to 81 per cent of income in 1989, from just 10 per cent in 1985. Personal sector borrowing rose to 9 per cent of income in 1987 *from 5 per cent in 1985.*

This revealed an increase in the extent to which the private sector was willing to incur debt as a "direct result of the climate of over-optimistic expectations" about the future performance of the economy.

The institute suggests this derived from misplaced confidence that the three main post-war economic problems – slow productivity growth, the sluggish response of output to demand, and the union-led push for higher wages – were on the way to being solved.

MOTOR INDUSTRY

Output rises 6.2% in first half as export sales grow

By Kevin Done, Motor Industry Correspondent

UK CAR output of 694,374 in the first half of the year was 6.2 per cent higher than in the corresponding period a year ago, helped in particular by a surge in output by Nissan, the Japanese car maker.

At the same time Ford, Vauxhall and Rover also achieved higher car output levels than a year earlier, as a significant rise in exports helped to compensate for the steep fall in demand in the domestic market.

Production for export markets accounted for 48.2 per cent of UK car output in the first six months this year, compared with only 23.6 per cent in the same period a year ago.

According to the Society of Motor Manufacturers and Traders the share of UK car production going to export has started to fall in June and July, however, which suggests overall output could weaken in the final months of the year.

The SMMT figures show production of 63,000 by Nissan at *its Sunderland plant in* north-east England in the first half of the year was 132 per cent higher than in the corresponding period a year earlier.

Production at the Nissan plant, the first Japanese car assembly operation in Europe, started in small volumes in 1986. It is now rising quickly and is expected to reach 120,000 in the whole of 1991 compared with 76,000 in 1990.

A further boost will be received next year when Nissan starts output of a second car range at the plant. The full capacity of 220,000 cars a year could be reached in 1993.

The build-up of car production by Nissan, as well as by Toyota and Honda, which are to start output late next year, is expected to guarantee a steady increase in UK car production throughout the 1990s.

The export programmes at Vauxhall (the UK subsidiary of General Motors) and Ford, which stem from changes in sourcing policy by GM and Ford's European operations, have helped to cushion their assembly plants at Luton and Ellesmere Port (Vauxhall) and Dagenham (Ford) from the impact of the recession.

By contrast Ford's Halewood, Merseyside plant, which produces cars for the domestic market only, has been hit hard by the steep fall in new car demand in the UK and is expected to work only a three-day week for the final four months of the year, having been on a four-day week for much of the first eight months.

The main casualties in the first half of the year were the luxury car makers Jaguar and Rolls-Royce Motor Cars, where output in the first half of the year plunged 43.7 per cent and 37.2 per cent respectively in the face of plummeting sales in both the UK and US markets.

Both companies have been forced to make substantial cuts in their workforces.

Peugeot Talbot, the UK subsidiary of Peugeot of France, has also been forced to cut output sharply in response to the recession in the UK and lower demand in other important markets including France.

Commercial vehicle output, which has been less cushioned by improved sales in export markets, fell 26.6 per cent in the first half of the year.

UK VEHICLE PRODUCTION

	1991 Jan-June	1990 Jan-June	1991/90 % Change
CARS			
Total	694,374	653,747	+6.2
Rover (British Aerospace)*	229,086	224,149	+2.2
– cars	208,141	199,951	+4.1
– Range Rover/Discovery	20,945	24,198	−13.4
Ford (excl. Jaguar)	196,005	176,389	+11.1
Vauxhall (General Motors)	142,547	130,957	+8.9
Nissan	62,929	27,147	+131.8
Peugeot	45,581	65,538	−30.5
Jaguar (Ford)	13,741	24,404	−43.7
Lotus (General Motors)	1,559	732	+113.0
Rolls-Royce (Vickers)	1,080	1,721	−37.2
COMMERCIAL VEHICLES			
Total	111,571	152,002	−26.6
Ford	58,550	70,127	−16.5
Rover (British Aerospace)**	14,014	21,150	−33.7
Leyland DAF (DAF)	16,147	18,724	−13.8
– vans	11,138	13,279	−16.1
– trucks	5,009	5,445	−8.0
IBC Vehicles (GM/Isuzu)††	10,479	17,262	−39.3
Vauxhall (General Motors)†	5,112	15,832	−67.7
Iveco-Ford	2,718	3,691	−26.4
ERF	983	1,223	−19.6
AWD	1,522	1,124	+35.4
Renault Truck Industries	534	704	−24.1
Seddon Atkinson (Iveco)	326	587	−44.5
Volvo Bus	462	492	−6.1

*Includes Range Rover/Discovery. **Car-derived vans and Land Rover Defender. †Car-derived vans. ††Medium and micro vans sold in Europe variously under Vauxhall, Isuzu, GME, Bedford and Suzuki names.

Source: Society of Motor Manufacturers and Traders

Holiday proposals meet with a rebuff

WORKERS hoping for an extra day off were disappointed yesterday as proposals for a new October bank holiday from the National Economic Development Council were swiftly rebuffed by the government. Such a holiday would, the government said, "damage industrial competitiveness".

It also said it had no plans to fix the date of the Easter bank holiday - another proposal.

The department of employment said industry had warned that an extra holiday would reduce productivity, and wanted the uninterrupted run between August and December to continue. The department's view was echoed by the Confederation of British Industry.

Neil Buckley reports

But the department conceded that it would "consider very carefully" moving one of the spring bank holidays to autumn, if other NEDC groups backed the proposals, made by the council's tourism and leisure group.

The government's reaction will disappoint the tourism and leisure industries - and may surprise people in Scotland.

While the the exact dates of many public holidays there are determined locally, Scottish towns have long had an autumn bank holiday in place of the late summer bank holiday in England and Wales.

Mr Ewan Marwick, chief executive of Glasgow's chamber of commerce, said the autumn holiday was no more damaging to industry than any other bank holiday.

"Public holidays tend to be less disruptive here than in England and Wales, because many of them happen on different days in different areas."

The government's reluctance may also surprise other European countries, which manage to remain competitive while having up to five more public holidays each year than the UK.

Belgium leads the way with 13½, followed by Spain, Portugal and Greece with 13, Luxembourg with 12, Germany, France, and Italy with 11. The UK has eight, one less than the Netherlands and Ireland. Even the Japanese have 13 official holidays.

Harmonisation of public holidays across Europe as the Single European Market approaches has not been seriously discussed, though the European Commission is carrying out a study into seasonality. Mr Peter Hunt, national secretary for the Council of Civil Service Unions, who presented NEDC's proposals yesterday, said other European countries might complain that the scarcity of public holidays in the UK gave it a competitive advantage.

Whatever else may be standardised, it seems unlikely that the era of the Euroholiday is approaching. VE day, for example, commemorating the end of World War II, is a holiday in Austria, France, Bel*gium and the Netherlands, but* is never likely to be celebrated with great enthusiasm by Germany.

The many European countries that celebrate religious holidays such as Ascension Day, 40 days after Easter, and Assumption Day, on August 15, will also be unwilling to give them up.

The tourism and leisure industries in Britain are unlikely to abandon their campaign for an autumn bank holiday.

It would, they say, extend the holiday season and encourage people to take second holidays - most likely in the UK - at that time. The current excess of bank holidays in spring stops people making full use of them.

Tourism employs more than 1.5m people, and Britons spent more than £10.5bn on 95.5m tourist trips within the UK last year. The argument is that any loss of industrial output *would be more than compen*sated for by increased earnings from tourism.

Proposals to fix the date of Easter emerge frequently, but the government's reaction will perhaps come as a relief even to those churches which said they were not against the idea in principle.

The Church of England said it would not support a move likely to damage its relations with other churches, and any decision to fix Easter would have to be agreed by all churches around the world.

The last attempt, at a World Council of Churches meeting in Nairobi in 1975, foundered due to opposition from the Russian Orthodox church.

The Easter Act of 1928 provides for a fixed Easter subject to certain conditions, but purists will always argue against changing a tradition that has persisted in Britain since the Synod of Whitby in 664 AD.

Taxman is made to eat his cake

By Tim Lawrence

THE British taxman has been made to eat cake. McVitie's yesterday won its battle against UK Customs and Excise when a value added tax tribunal ruled that the Jaffa Cake, a chocolate-covered, orange-filled sponge snack, is a cake, not a biscuit.

It won its case, in part, by submitting a giant Jaffa Cake – 12 inches in diameter – as evidence to the tribunal.

More than a name was at stake when Customs and Excise ruled in January that Jaffa is a biscuit, not a cake. The UK does not impose VAT on cakes, but the full 17.5 per cent is charged on chocolate biscuits and confectionery.

This would have put 10p on the price of a 60p packet, producing tax revenue of £7m from McVitie's annual sale of 42m packets and the 25m packets produced by its competitors.

A series of borderline test cases – including one in which Marks and Spencer's caramel shortcakes were categorised as cakes because they were packaged as such and sold alongside other cakes – persuaded VAT officials they could win the Jaffa case. Jaffa Cakes, the officials claimed, look like biscuits, are packaged like biscuits and are sold on biscuit shelves.

McVitie's, a subsidiary of United Biscuits, insisted that Jaffa, first baked in 1932 and named after the Israeli orange, is a cake: "It looks like one, it tastes like one and it's always been one. A biscuit, it isn't."

It added: "We said that size should be left out of the argument, but the cake-sized Jaffa showed the tribunal that the vast majority of a Jaffa Cake is sponge. There was absolutely no doubt it was a cake."

Mr D.C. Potter QC, chairman of the tribunal, concluded that the texture, ingredients and name of the product, as well as the fact it started off moist but went hard when stale - contrary to biscuit behaviour - meant that Jaffa Cakes should be classified as a cake.

Customs and Excise has 28 days to decide whether to lodge an appeal: "We are considering our position. We were disappointed to lose the ruling but we are taking the whole thing with a pinch of salt".

Mr John Newman, director of the Biscuit, Cake, Chocolate and Confectionery Alliance, a trade association, welcomed the ruling.

The giant Jaffa Cake which contributed to McVitie's success was "consumed with relish" after the hearing, according to Mr John Brown, VAT partner responsible for United Biscuits at Ernst & Young, the accounting firm. "Max Jaffa - the name we gave to the giant Jaffa Cake - was eaten by people from Ernst & Young, United Biscuits and the tribunal staff," said Mr Brown.

BRITISH ASSOCIATION

Ignoring patents costs £20bn

By Clive Cookson, Science Editor

EUROPEAN companies waste £20bn a year in unnecessary research "re-inventing what has been done before", because they ignore patent literature, the UK Patent Office has estimated.

Many UK and European companies overlook the value of patents as a source of technical and commercial information, Mr Ted Blake, Patent Office information director, told a symposium on intellectual property rights.

"Anyone not looking at patents automatically cuts themselves off from at least four-fifths of the available information," he said. "Patent literature is quite simply the largest and single most important source of technical information in the world, with over 80 per cent of the information in patents being unavailable elsewhere."

No European company in any industry can match the example of Hitachi, the Japanese electronics giant, which according to Mr Blake employs 150 people full-time to search the world's patent literature.

Many are put off by the sheer size of the database. There are now 32m patent documents worldwide, increasing by 1m a year. But relevant information can now be reached relatively easily by computerised searches.

Mr Lawrence Jenkins, patents manager for Wellcome, the UK drug company, pointed out that the chemical and pharmaceutical industries already make full use of the patent literature.

But Mr Blake said other UK industries such as engineering and electronics were not following the lead of chemicals and pharmaceuticals. And even chemical companies sometimes missed vital patent information.

Discoveries may transform medicine

TWO recent discoveries, catalytic enzymes and cell adhesion molecules, may transform medicine and biotechnology, the British Association heard, writes Clive Cookson.

Catalytic antibodies, also known as abzymes, are artificial antibodies which work like natural enzymes to make bio*chemical reactions possible.* "New scientific opportunities such as this occur only rarely," said Prof Colin Suckling of Strathclyde University, who is one of the UK's pioneers in abzyme research.

In principle an abzyme can be designed to catalyse (speed up) any biochemical reaction whose mechanism is known, using genetic engineering and monoclonal antibody technology. The abzyme is a specialised version of the antibodies which the body's immune system makes to fight disease.

Prof Suckling said abzymes could be used not only to prepare new biochemicals for industrial and medical use but *also directly inside the human* body. "By use of an appropriate abzyme, it might be possible to treat diseases in which an enzyme is missing. It might also be possible to give a patient an abzyme to degrade a high concentration of a [chemical] that is causing disease; some targets in neural diseases have been recognised."

One-speculative application, discussed at the time of the Gulf war, is to inoculate soldiers with an abzyme to destroy nerve gases in the bloodstream.

The UK is spending about £1m a year on abzyme research through the government's Link programme.

Prof Suckling's own work at Strathclyde has been financed by a £100,000 grant from Rhone-Poulenc, the French chemical group.

"Abzymes have great potential," Prof Suckling said. "However, although the science has been established, much remains to be done to reach successful application."

Uncrewed ship sails the seas

FLOTILLAS of unmanned computer-controlled ships may be sailing the oceans early next century writes *Clive Cookson.*

The Shiiya Merchant, an unmanned 10,000 tonne Japanese ore carrier, has recently completed two days of trials between south-western Japan and Korea, before returning to the port of Kagoshima.

"The vessel handled perfectly in the shallow rock-strewn channels, in a voyage that was planned and executed by on-board computers," said Mr Roland Burns, a lecturer in mechanical engineering.

"It is the view of Japanese marine technologists that computer control of unmanned ships is absolutely essential for the economic future of long-haul bulk shipping," he said.

"At least three major Japanese shipyards have designs for trans-Pacific computer controlled ships and tankers which could be operational by the mid 1990s."

There are two forces driving the unmanned ship project, Mr Burns said. One is economic. Large savings can be made if the crew is eliminated entirely.

The other is safety. According to Mr Burns, 80 per cent of collisions and accidents at sea are attributable to human error.

Offshore spending 'to peak at £8.6bn'

By James Buxton, Scottish Correspondent

THE high level of spending by the offshore oil industry in the UK's sector of the continental shelf is expected to peak next year at a record £8.6bn before going into a gentle decline to about £5.7bn by 1995.

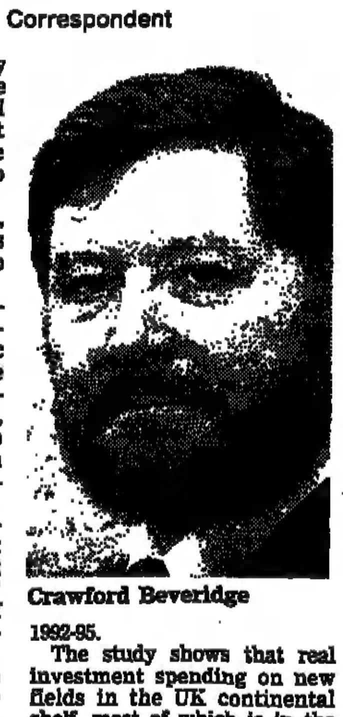
Spending on exploration, development and operations has risen from £5.8bn in 1989 to £8.4bn this year.

According to the latest biennial forecast by Scottish Enterprise, the Scottish economic development body, worldwide offshore expenditure will continue to grow in real terms, rising from £72bn this year to £83bn in 1995. The growth areas are south east Asia/Australasia and North America.

"If Scottish and UK companies wish to expand market share they will have to seek new business internationally," Mr Crawford Beveridge, chief executive of Scottish Enterprise, said.

The study shows that some 58 new fields will come onstream in the 1992-95 period. Although this means that more new fields are coming onstream than at any time in the North Sea's history, the majority are relatively small.

In addition a peak of 11 new subsea fields, which are connected up underwater, will come onstream in 1993. Altogether 30 new subsea fields should come onstream in



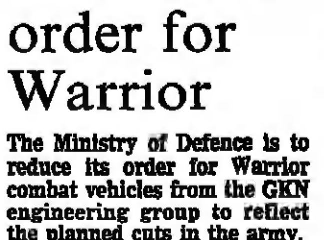
Crawford Beveridge

1992-95.

The study shows that real investment spending on new fields in the UK continental shelf, most of which is in the North Sea, is *higher than it* has been for ten years.

In 1990 exploration reached a new record level for the UK with 214 exploration and appraisal wells drilled, exceeding the previous peak of 175 wells in 1989. Some 190 wells are expected to be drilled this year, with the number declining to about 170 by 1995.

BRITAIN IN BRIEF



MoD cuts order for Warrior

The Ministry of Defence is to reduce its order for Warrior combat vehicles from the GKN engineering group to reflect the planned cuts in the army.

The original order for more than 1,000 Warriors, worth more than £1bn, is due to be cut by between 10 per cent and one third. The revision of the contract follows a slowdown in delivery schedules for the Warrior, negotiated last year as part of short term cost-cutting at the MoD. GKN, which makes the vehicle at its Telford plant in Shropshire, has been asked to submit proposals for various production totals. The change raises the possibility of redundancies at the plant.

BT unions accept offer

BT engineers and clerical staff belonging to the National Communications Union have voted overwhelmingly to accept a 7.3 per cent pay offer. The deal covers about 120,000 employees and will be backdated to July 1.

Schools still lack teachers

Schools are still suffering severe problems in recruiting suitable teachers, according to a Labour Party survey of 30 local education authorities. Almost 90 per cent of local authorities reported "difficulties in recruiting and retaining" teachers in modern languages, 47 per cent in sciences, 33 per cent in maths and 30 per cent in English.

Holiday price war forecast

Thomson Holidays, Britain's biggest package tour operator, has warned of a new price war over the sale of next summer's holidays. The company said that it "would not be beaten on price" if any of its competitors tried to attack its market share, currently about a third of all package holidays sold.

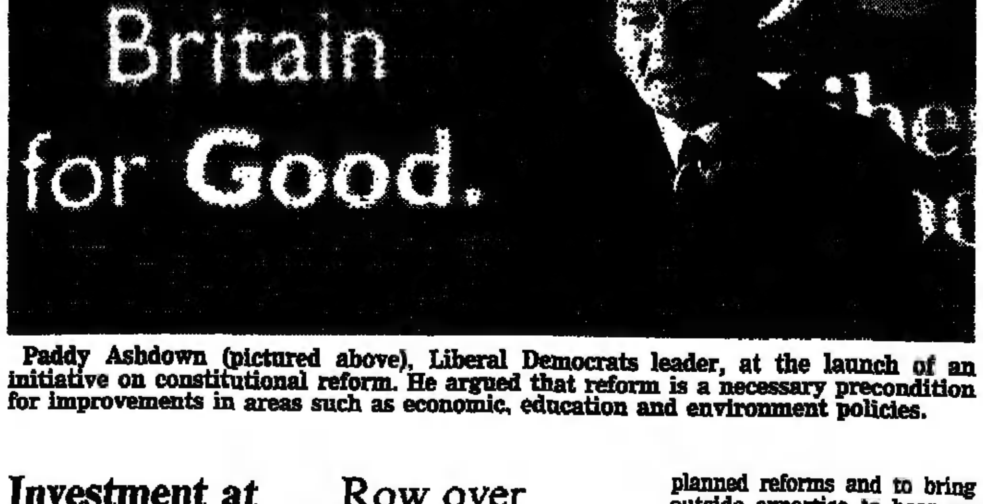
Training plans 'jeopardised'

The contractual relationship between Britain's leading providers and purchasers of training are unsatisfactory and will jeopardise achievement of the government's objectives to improve vocational training, a report claims.

The Bridge Group of 15 not-for-profit organisations involved in training criticises contracts between providers of training and the 82 Training and Enterprise Councils in England and Wales and 22 Local Enterprise Companies in Scotland. It identifies the short duration of contracts and clauses in contracts allowing TECs and LECs to terminate contracts early without fault.

Pay offer is revised

Parcelforce, the parcels division of the Post Office, which initially attempted to freeze pay for all employees for 10 months as part of a plan to pull itself back into profit, has put forward a new 18-month pay offer to union negotiators. The offer has been rejected by the main union, the Union of Communication Workers. Both sides are due to meet for informal talks during next week's Trades Union Congress in Glasgow.



Paddy Ashdown (pictured above), Liberal Democrats leader, at the launch of an initiative on constitutional reform. He argued that reform is a necessary precondition for improvements in areas such as economic, education and environment policies.

Investment at six month low

Investment by small business is at its lowest level for six years, according to figures published by National Westminster. The bank said spending fell 39 per cent in the first half compared with the last six months of 1990. The worst hit regions were south-west and south-east England.

Row over panel appointee

A political row was sparked by the announcement that Dr Madsen Pirie, the director of the Adam Smith Institute, a right-wing think-tank, would be a panel member of government advisers on the Citizen's Charter.

The panel's task is to maintain the impetus behind the planned reforms and to bring outside expertise to bear on proposed ideas and develop new applications of the charter's principles.

Mr Roy Hattersley, Labour's deputy leader, said the appointment of Dr Pirie by Mr John Major, the prime minister, "does not inspire confidence in the government's wish to protect the consumer against exploitation by either public or private providers of goods and services."

MANAGEMENT: Marketing and Advertising

Seriously stuck on designer horns

Alice Rawsthorn reports on the dilemma facing an industry damaged by recession and over-ambition

"THE DESIGN business is too unstable to support huge networks with high overheads," says Mark Landini, joint managing director of RSCG:Conran in London. "In the 1980s people were far too ambitious."

"This is a very young industry," says Don Casey, president of Landor. "There are very few people around with sufficient skill and experience to work on an international scale."

Between them, Landini and Casey sum up the dilemma facing the international design industry.

There are more and more multinational design projects around but there are very few consultancies capable of handling them. Almost all attempts at creating global design groups have failed. And, after two years of recession, the US and UK design consultancies cannot afford to expand.

"At the moment there is a hiatus," says Colin Forbes, a partner of Pentagram in New York. "The industry has to organise itself so that it can handle international projects. But no one knows how to go about it."

In the 1980s the consensus among design groups was that they should model themselves on the multinational advertising agencies, such as Saatchi & Saatchi or Young & Rubicam, which owned offices in most, if not all, the countries where their clients operated. The larger consultancies threw themselves into start-ups and acquisitions in an attempt to replicate the structures of the ad agencies.

It was relatively easy for them to raise capital. In London, the stock market was keen to invest in young, entrepreneurial design businesses like Fitch-RS and Michael Peters.

The global marketing groups, such as Saatchi and the WPP Group, also invested in design, convinced they could cross-refer accounts from their advertising agencies to their new design subsidiaries.

By the end of the decade the design industry seemed to be on the brink of fulfilling its global ambitions. Then came the recession. The US and UK design markets went into the doldrums. The consultancies in those countries can no longer count on the profits from their domestic markets to fund their fledgling international networks.

The industry has been ravaged by cuts and closures. Michael Peters has gone into receivership. Fitch-RS has serious financial problems. Landor, the San Francisco-based consultancy, sold out to Young & Rubicam. Conran Design in London has been bought by RSCG, the French marketing group. Other companies have been forced to shed staff and close offices.

But recession is not the only problem. The immaturity of the business had hindered its attempts at globalisation. Management structures, even of the larger consultancies, were too unsophisticated to cope with the pressures of operating as international companies. There was also a serious shortage of staff capable of working on international design projects.

Another problem lies in the cyclical nature of the design market. Whereas ad agencies – which the design industry had chosen for its role model – tend to work on large, long-term projects, design schemes are smaller in scale and commissioned on an ad hoc basis.

This means there is no flow of revenue and, when economic conditions deteriorate, the market becomes very volatile.

WORLD'S TEN BIGGEST DESIGN GROUPS 1990

Company	Fee income	Ownership
WPP Group	£56m	Public company, UK
Landor	£30m	Young & Rubicam, US
Fitch-RS	£26m	Public company, UK
Addison	£14m	Private company, UK
Siegel & Gale	£12m	Saatchi & Saatchi, UK
RSCG:Conran	£11m	RSCG, France
Holmes & Marchant	£11m	Public company, UK
Minale Tattersfield	£10m	Private company, UK
Desgrippes Cato Gobbé	£9m	Private company, France
Pentagram	£9m	Private company, UK/US

It can also be argued that the culture of the design business is not compatible with that of sprawling, multinational organisations. Colin Forbes of Pentagram is convinced that a design consultancy works best with no more than 60 staff. Beyond that, he says, it runs the risk of "losing its esprit de corps" and of "becoming unmanageable".

It is instructive that Pentagram, which pursued this cautious policy even during the bullish era of the 1980s, is one of the few consultancies to have been unscathed by the recession.

The design industry has now lost its illusions about modelling itself on advertising. As with most sectors, the recession has also taken its toll on the multinational ad agencies; and the financial crises at Saatchi and WPP have served to destabilise the design companies they had bought.

Second, there is a crisis of confidence among the ad agencies themselves. Advertising lost its traditional role as the dominant marketing medium during the 1980s. The agencies are desperately trying to restructure their businesses to take account of this – so far without much success.

Finally, hopes that the global marketing groups could cross-refer accounts from one subsidiary to another have proved unfounded. "The power of the agencies is diminishing," says Alan Siegel, chairman of Siegel & Gale, the New York-based corporate identity consultancy owned by Saatchi. "They do not have enough influence over their clients to tell them where to place accounts. All the Saatchi companies are left to live or die on their own."

So where does the design industry go from here? Recession or no recession, the demand for international projects is still strong and the design consultancies are still intent on operating globally. However, they have been forced to scale down their ambitions.

Most consultancies have abandoned the original aim of owning worldwide networks. Siegel & Gale once planned to operate full service offices – with design studios as well as sales departments – in most of the major countries. It now envisages a more modest operation of three main bases in New York, London and Tokyo with a handful of small sales offices.

Others are adopting a similar approach. Two years ago Walker/CNI, the New York retail design business owned by WPP, opened a London office to co-ordinate its European work. It now has a token presence in London and services European clients from New York.

Wolff Olins, the London-based corporate identity business, has closed the San Francisco office from which it had hoped to expand into the US. "We have lowered our sights," says Wally Olins, the chairman. "Our resources are limited. In the short term we will concentrate on Europe."

Consultancies are also less ambitious about the scope of their work. Once they aimed to handle every aspect of their international projects from developing the original concept to implementing the finished design. Now they realise they cannot afford the infrastructure needed to work on such a scale. Increasingly they are collaborating with other companies in different countries.

"It is ludicrous to suppose that one design consultancy can fully satisfy a global client on its own," says Martin Beck, chief executive of Fitch-RS. "Now we look for people who know their own markets and work with them on a tactical basis."

However, there are structural changes in the design market that are helping consultancies to execute multinational projects without recourse to huge networks.

One consequence of the recession has been to increase the pool of freelance designers, researchers and corporate strategists that consultancies can draw on. Even a large group like Landor now uses freelances on a regular basis.

At the same time advances in computerisation – in both information technology and computer-aided design – are making it easier for consultancies to liaise with international clients and collaborators. There are now networks of designers working simultaneously on the same projects in different countries.

These developments may help the design community to resolve the dilemma of how to turn itself into a fully-fledged international industry without over-stretching its resources, albeit more slowly and more modestly than it once envisaged.

"Design has always been a 'mom'n'pop' business," says Alan Siegel. "If design firms are ever to become big and stay big, they must take a longer term view."

Philip Rawstorne reports on Bayer's plans for pepping up Alka -Seltzer

Putting more fizz into a mature market

Despite the trend to healthier lifestyles, a third of British households keep a remedy for an upset stomach or hangover in the cupboard.

Tried and trusted brands – Sterling Health's Andrews, Bayer's Alka-Seltzer, and SmithKline Beecham's Eno's – dominate this sector of the self-medication market.

Alka-Seltzer, now vying with Andrews for leadership of the £16m a year UK market for effervescents, is 60 years old. It has stood the test of time; worldwide, more than 2.5bn tablets are swallowed each year.

But Bayer, the German-based multinational which acquired Alka-Seltzer when it bought Miles Laboratories of the US in 1978, recognised last year that without continuing care the brand would slowly wither away in the UK.

Alka-Seltzer's peak in the UK was in the late 1950s and early 1960s. Though sales were still double those of any other European country, they had been slowly declining and, with new brands coming on to the market, the product's relevance to modern consumers had to be reasserted.

Alka-Seltzer still enjoyed a strong position in its market, with a 36 per cent share. But Bayer, Europe's fifth largest manufacturer of self-medication products, had a relatively weak position in the UK industry.

The priority for Michael O'Kane, a one-time Boots pharmacist, appointed marketing manager for Bayer UK's self-medication products in January last year, was to improve sales and distribution support for Alka-Seltzer.

A stronger presence was needed in all trade sectors from pharmacies through to supermarket chains and independent stores. Various options were considered from the acquisition of suitable companies and/or brands that would give Bayer the critical mass needed to develop its own distribution network, to identifying possible partners who were already established in the market place.

The problem was resolved last month by a sales and distribution agreement with Warner Lambert Healthcare, a competitor in some world markets but not in the UK.

While that partnership – which will ensure distribution to all pharmacies and 94 per cent of grocery outlets – was being planned, O'Kane was also working on ideas to put more fizz into the Alka-Seltzer brand.

The mixture of Aspirin, citric acid and sodium bicarbonate was originally developed as a remedy for colds and influenza but had been gradually repositioned as "a fast relief from headache with upset stomach".

Its competitors had developed line extensions – Andrews Answer and Eno's Resolve – as specific hangover remedies. Resolve, in particular, had done well and had captured 11 per cent of the market.

Apart from the introduction of a lemon flavour in 1988, little else had been done to rejuvenate the Alka-Seltzer brand."It had suffered historically from a 'leave well alone' approach," says O'Kane. "But a brand is like a plant, it needs continuing care and attention if it is to thrive."

O'Kane has given a brighter, modern look to the packaging, to provide more noticeable presentation on supermarket shelves. The original product and its lemon-flavoured variant are now distinguished by different colours; product and dosage information is more prominently displayed.

Television advertising strategy was changed in an effort to increase sales – which peak at Christmas and New Year – throughout the year.

"The focus had been on 30-second commercials during the Christmas period," says O'Kane. "Our competitors advertised at the same time, so we could not stand out from the crowd as much as we would have liked."

Sales of Alka-Seltzer rise substantially on Spain's Costa del Sol with the annual influx of British holidaymakers. So its sales pitch – "Good food, good wine, good night, good morning" – was focused on the holiday market.

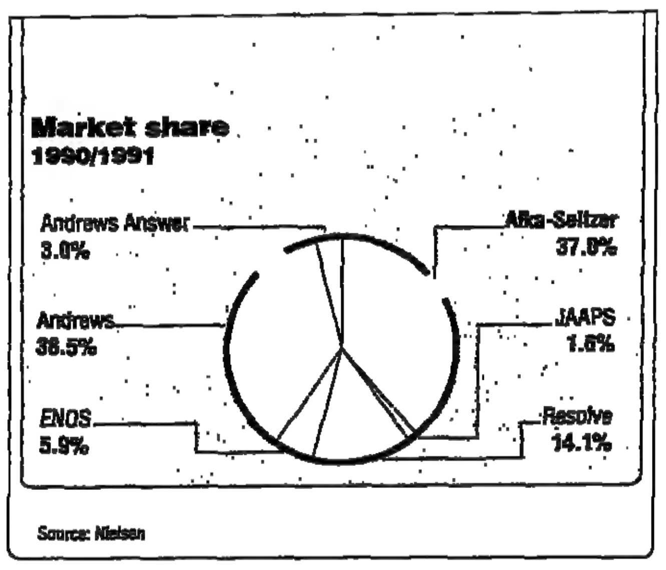
Much of the £1.1m advertising budget was spent on new 10-second television spots – featuring the lemon variant in particular – during the summer. The message to consumers preparing for their holidays was that they would need Alka-Seltzer just as much as a passport.

An Alka-Seltzer holiday kit – including bandages, insect repellent and antiseptic cream as well as Alka-Seltzer tablets – was promoted through regional newspapers.

Further promotions during the next few months will link Alka-Seltzer to winter holidays. "We want to develop the idea that you should never be caught without Alka-Seltzer," says O'Kane.

Within a year, the gap between Alka-Seltzer and the market leader, Andrews has been narrowed from 4.4 per cent to 1.5 per cent.

"Alka-Seltzer has been around for a long time," says O'Kane,"but I think we are proving that there's a lot of life left in it yet."



Source: Nielsen

TECHNOLOGY

A longterm use for ground glass

LANDFILL sites have to be carefully isolated to prevent methane and other toxic substances from contaminating surrounding ground long after the sites have been abandoned.

The usual method of containment is to surround the site with vertical cut-off walls of bentonite (a highly expensive, fine-grade clay mineral), slurry and a plastic membrane.

Concerned about the long-term effectiveness of this method, German civil engineering contractor Philip Holsmann has joined forces with glassmaker Flachglas to develop a new means of encapsulation, using glass sheeting.

"Glass is resistant to chemical attack from all possible components of seepage water as well as being totally impermeable," says Heinz Wind, head of Philip Holsmann.

The panels of 6-12mm-thick glass are set into the mineral slurry trenches. A non-shrinking silica gel, which is said to be the most impermeable sealant for the glass sheets because of its similar chemical composition, is injected into the remaining gaps.

The construction of the glass walls, claims Wind, can be calculated to withstand the lateral forces exerted by the settling of waste in a working tip. And, although the settlement forces in old deposits are usually insignificant, walls capable of bearing the transverse forces exerted by further loading can also be designed, a useful factor in view of the scarcity of suitable new landfill sites.

In 1990, Philip Holsmann and Flachglas, together with the technical universities of Darmstadt and Aachen, established the German Institute for Constructional Glass in a bid to develop the use of glass for construction purposes.

This project is one of several it now has under way in Germany. Others include using curved glass segments for relining sewers and suspending particles of asbestos in glass as a means of safe disposal.

Fiona McWilliam

Charles Leadbeater studies the Prince of Wales's latest strictures on UK industry

Too far from the campus

IF you are a manager in a British manufacturing company who has quietly chuckled as the Prince of Wales has lambasted the architects and educationalists, you had better watch out.

The Prince is set to renew his more than passing acquaintance with controversy by setting about industrialists and academics. Earlier this year a prestigious conference held in the grounds of his home at Highgrove, Gloucestershire, was the launch pad for an initiative called Partners In Innovation. Its aim is to improve links between education and industry. Specifically the Prince asked Sir John Flowers, the chairman of the Centre for the Exploitation of Science and Technology, to set up and chair a working group which will report to him in December upon measures to improve the relationship between academics and industry. Partners in Innovation is based upon three premises. The first two premises are uncontroversial pieces of conventional wisdom. First, the relationship between higher education and industry can be improved. Second, industry needs to become more proficient at innovation.

It is the third premise which is more open to doubt: industry will become better at innovation if it improves its relationship with higher education. It is upon this premise that the Prince's initiative will stand or fall.

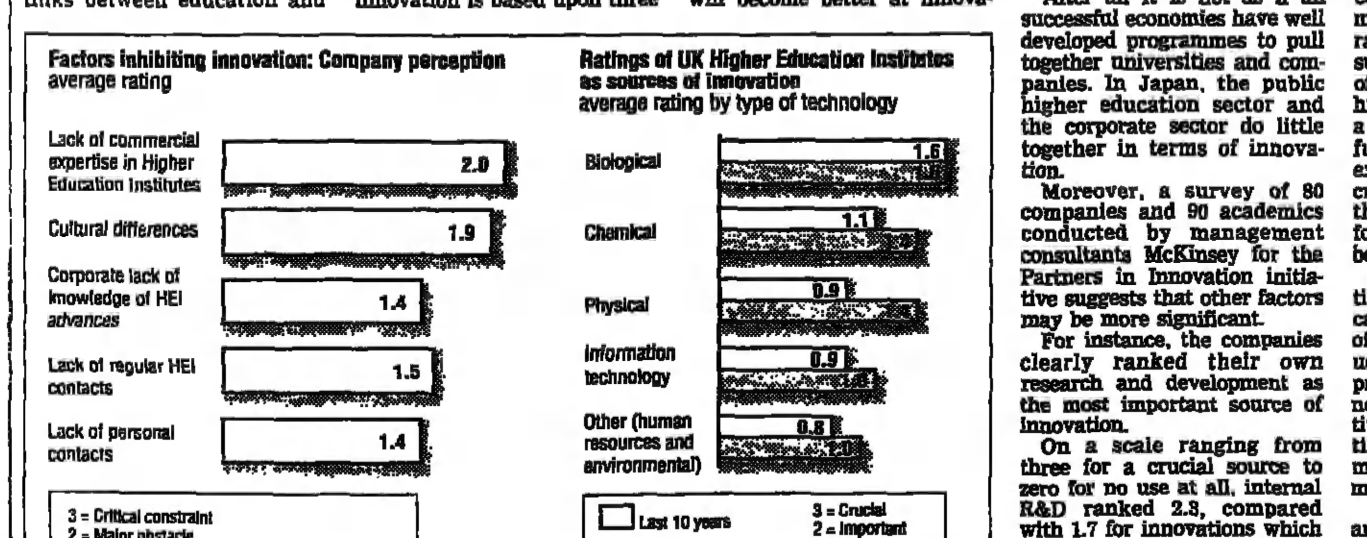
What evidence is there that better collaboration between academe and industry is really central to promoting business innovation?

After all It is not as if all successful economies have well developed programmes to pull together universities and companies. In Japan, the public higher education sector and the corporate sector do little together in terms of innovation.

Moreover, a survey of 80 companies and 90 academics conducted by management consultants McKinsey for the Partners in Innovation initiative suggests that other factors may be more significant.

For instance, the companies clearly ranked their own research and development as the most important source of innovation.

On a scale ranging from three for a crucial source to zero for no use at all, internal R&D ranked 2.8, compared with 1.7 for innovations which come from suppliers and contractors and 1.3 for British higher education institutes.



Source: McKinsey

On the face of it the survey suggests the Prince may be tilting at windmills. A lot of effort might be devoted to improving something which most executives judged is not essential.

However there are two rejoinders. First, the survey shows that in most sectors links between industry and education are likely to become more important, at a quicker rate than other factors. The survey found that 73 per cent of companies would be using higher education institutes as a source of innovation in the future. About 16 per cent expect these institutes to be a crucial source of innovation in the future. So the Prince is focusing on something that is becoming more significant.

Second, the fact that executives do not regard higher education as an important source of innovative ideas and products may be the symptom of a problem rather than proof that no problem exists. The relatively low ranking that executives ascribe to collaboration may just be a sign of how much it needs to be improved.

Links between companies and higher education may be undervalued because companies are failing to exploit fully the ideas available in universities and the academics are so bad at selling their work. The corollary is that once academics and industrialists start to work together more effectively they will realise the potential for collaboration.

Prince Charles: new target

According to the executives cultural differences between business and academe are the most important obstacles to collaboration. Lack of commercial expertise in higher education was ranked as a major obstacle. And academics certainly seem to have non commercial priorities: the survey found that 53 per cent of university academics thought commercialising innovation through collaboration was less important than publishing their research.

All this is grist to the Prince's mill that academics and business leaders need to understand one another better. However there are other findings in the McKinsey survey which suggest the Prince will inevitably be drawn into the clearly political territory of education and science policy.

Although the academics thought that cultural differences were significant they cited a lack of development funding as the most important obstacle to innovation. As a result academics view collaboration with business as a useful source of funding to top up a shortfall of public funds. Equally, many companies see higher education as a cheap way to get their research done.

Partners in Innovation will issue recommendations for changes in policy when Sir John reports to the Prince later in the year. However the McKinsey report provides some clear clues about the direction in which the initiative is heading. Some forms of collaboration are proving far more effective than others.

Both executives and academics rated personal contacts as the most important factor facilitating collaboration. The next most effective were long term funding of research and – most strikingly – joint project teams for particular topics.

David Fishlock examines industry's advance into plasma science

An exciting way to use gases

Electrically excited gases – plasmas – could offer novel ways of carrying out many of today's noxious factory processes, such as etching metal, glass or plastic surfaces, with little or no fumes or effluent. But the technology will only find wider applications if it is more widely understood.

This is the view of the London-based Centre for the Exploitation of Science and Technology (Cest), the think-tank set up by some of Britain's most research-conscious companies to try to identify the emerging opportunities for technology. The wider exploitation of plasma by industry will require a deeper understanding than exists today of the underlying science – as well as of the economics.

A strong base of plasma science has been built in Britain for harnessing nuclear fusion for power generation. But the ionised gases – gases whose constituents are electrically charged – that are of interest to industry are cooler and more easily contained than those used in the nuclear power industry.

The industrial plasmas span a temperature range from a few hundred degrees to about 20,000 deg C. At the lower temperatures, where there is growing interest, they are called cool plasmas. Cool plasmas can be generated using electricity, microwaves, laser beams or shock waves to excite a gas.

Temperature, pressure, gas composition and the electrical conditions all help to determine the "activity" of the plasma. For example, the hotter plasmas can incinerate the most toxic organic substances completely, leaving no trace that might leak from the incinerator, as can happen at lower combustion temperatures. For chlorinated organic compounds such as PCBs(polychlorinated biphenyls), normally difficult to destroy completely, plasma incineration seems to offer a temperature high enough to reduce the chemical quickly to molten carbon in which very little toxin could survive.

Robert Whelan, Cest's chief executive, says plasma processing cropped up repeatedly in other studies his think-tank has pursued; for example, into new metal finishing processes, where they found a new plasma gear-hardening process developed in Germany which reduced a conventional 15-stage hardening process to six stages and eliminated effluent.

The inherent beauty of plasma processing is that it is dry and easily incorporated into the production line, needing no breaks for ventilation or drainage

One industry which has already eliminated much of its wet-processing by such substances as hydrofluoric acid, in favour of plasma, is the processing of semiconductors. Plasma processing has the added advantage of greater precision, increasingly important as microcircuit dimensions decrease.

Plasma processing cropped up again in a study of the future of packaging, when such firms as Courtaulds revealed how vital plasma processing was becoming to the cleaning and preparation of plastic films. Nearly all the polyethylene used for plastic bags, for example, is exposed to a plasma etch that prepares it for printing. Film used in recording is plasma-processed to provide an anti-static surface. Compact discs require plasma processing in their manufacture.

The inherent beauty of plasma processing is that it is dry and easily incorporated into the production line, unlike wet processes which interrupt production flow by requiring special facilities such as ventilation and drains.

Plastic car bumpers moulded from polypropylene can be plasma-etched in a single stage to prepare them for painting, instead of the usual series of solvent-etches with all their attendant effluent and air-pollution problems. Glass can be plasma-etched before the application of coatings to, say, reduce ultra-violet transmission through window glass.

But the sheer scale on which some of these "surface engineering" processes would be needed is a considerable engineering challenge, says CEST's Stephen Howlett. Ideally, the plasma should be generated at ordinary pressures, not in a high vacuum, which would make it dearer.

At Cest, Howlett is half-way through a study of Britain's plasma-processing resources in which he aims to identify the ingredients still needed to make plasma engineering a significant industrial activity. Among the assets is the UK Atomic Energy Authority's Culham Laboratory, near Oxford, whose role is to support the EC's Joint European Torus project for fusion energy.

Unfortunately, since fusion energy is many decades away from commercial use, industry has almost no access to the science that Culham generates, says Howlett. But Culham itself has begun to involve itself with cool-plasma problems.

An important technical development, Cest has learned, promises to be the unbalanced magnetron, as a way of generating a lopsided magnetic field to create cool plasma at high energies for fast processing. ICI and Loughborough University are in the vanguard of this technology.

Cest wants to convene a consortium of companies and research laboratories that will help develop clear messages about the scientific priorities Britain needs for plasma processing. Its target is for industry to work with the research base to exploit plasma-based technologies.

CINEMA

Marooned on an island of trickery

PROSPERO'S BOOKS (15)
Peter Greenaway

NEW JACK CITY (18)
Mario Van Peebles

DYING YOUNG (15)
Joel Schumacher

PUMP UP THE VOLUME (15)
Allan Moyle

There was no Book of Family Trees among the 24 volumes stowed, according to Peter Greenaway's *Prospero's Books*, in the Duke of Milan's boat of banishment. If there had been, it would surely show that Greenaway is a descendant of that same Milanese monomaniac. Prospero dwells on a magical island where through illusion he manipulates the fate of puppet humans. Greenaway's films – from *The Draughtsman's Contract* to *The Cook, The Thief, His Wife And Her Lover* – are islands of trickery and artistic totalitarianism where he holds Prospero-like sway.

The traditional beef about P.G. has been that there are never, Brian Dennehy in *The Belly Of An Architect* apart, any autonomous human beings in his films. *Prospero's Books* presents Shakespeare's *The Tempest* as an apologia – but not an apologetic one – for the artist as puppetmaster.

Greenaway's Prospero is Sir John Gielgud marooned in a postmodernist Roman bathhouse. Around him at film's beginning are the props, pillars and persons (largely nude) from whose primal nakedness he will create his drama. For he is also, you see, Shakespeare. We catch him mouthing and quill-scratching the play's first word "Bosun"; we see him overturn his toy galleon to summon the plot; we watch him conjure vari-sized Ariels, one of whom is a small boy pissing cataracts into Gielgud's bath.

This movie is glorious and gaga in equal measures. As an ocular riot, it is unmatched by any other film in modern memory. Hurling naturalism to the winds, like the papers that blow blizzard-like about Prospero's chamber, Greenaway gives us a fantasia on movie (and video) possibilities. There is animation, in the magic-secreting books whose pictures come to life; split screens, spawning frames within frames like the Chinese boxes of artistic creation; giant close-ups transfiguring everyday sights (a water-drop) and outdoor landscapes conjured from corners of the maze-like soundstage (Caliban's stream, a sunkissed wheatfield for Miranda's first meeting with Ferdinand).

On top of this, or milling through it, is a cast of dozens spanning every stage of human upholstery from eye-boggling nudity to Greenaway-Jacobean excess. Michael Clark's Caliban is a gambolling faun with red-painted testicles. Gielgud begins nude, then wears a star-patterned cloak so huge it must need a fork-lift truck to don and doff. Isabella Pasco's Miranda is an Ophelia-like study in liquefaction-as-fashion. And the courtier-castaways, ruffed and hatted to the nines, resemble Carmen Mirandas of the 1600s.

But a paradox dwells at the heart of this harvest for the senses. The conceit that created it is less brainstorming than banal. In casting Gielgud/Prospero as a disguised Shakespeare and calling on Gielgud's voice to ventriloquise all – yes, all – the roles, at least until the forgiveness scene, Greenaway turns *The Tempest* into a fable about the all-fashioning artist. It is the old "Shakespeare's farewell" perspective, always a parochial and sentimental one. *The Tempest* may be the Bard's last bow, but it is much, much more. Few of the semi-submerged themes about moral redemption, nature-versus-nurture, the use and abuse of power, reach the surface of this film. And if they did, one suspects Greenaway would be there to greet them with a ten-ton costume or an invitation to animation.

Even the books of the film's title fail to lend resonance. Supposed keys to Prospero's wisdom, they are Greenaway's version of a desert island library. No Bible; but the complete works of W.S. get in as volume 24. Elsewhere with the titles and contents it is delirium-time in the Greenaway brainpan. "A Book of Mirrors", "A Primer Of The Small Stars", "An Atlas Belonging To Orpheus", "An Alphabetical Inventory Of The Dead", "The 92 Conceits Of The Minotaur" . . .

These would lend wisdom? Rather, they would add to the sum of human madness. They are of course a glorious Greenaway joke, gloriously presented and animated. But even as we giggle we realise what this film-maker is really up to with *The Tempest*. The Swan of Avon has been hijacked to make a Greenaway polling-day. A director mad for systems that reveal and deride humanity's attempt to find a meaning in life – ever since *The Falls* with its list and details of dead people whose names began with "Fa" – has taken the play's great primaries and logged them into his own tragicomic system.

John Gielgud as Prospero

The four elements: the cross-section of archetypal characters; the moral-existential polarities (nature/nurture, Ariel/Caliban). The play becomes not so much a great, pure morality fable as a blank cheque for Greenaway's imagination. He writes on it his decorative, chaotic, postmodernist vision of the world as a menagerie of life-types with many minor meanings but no all-ruling meaning at all.

*

"You gotta rob to get rich in the Reagan era," says someone in the (nearly) all-black crime thriller *New Jack City*. We are in 1986 New York and it looks just like 1991 New York, at least as we know it in the movies. Black crime syndicates led by suave, gold-chained mobsters (Wesley Snipes) are pursued by ill-paid black detectives (Ice T) with holes in their socks and possibly in their brains. These men believe that justice can win through. But we know it cannot. Why not? Because the movies need crime as much as criminals do.

New Jack City caused riots in US cinemas with its tale of crack-dealing gangs. Out there in the audience, screamed the newspapers, were the very people depicted in the film. But surely not. As directed by Mario Van Peebles from a story by Thomas Lee Wright, the film deals in trashy, paper-thin characters who trade in arcane jive-talk ("You lullaby his ass") and depressingly predictable shoot-outs. The only vivid moment is when an informant with a miniature video-camera concealed in his belt buckle goes mad with panic in the crack factory. The propriety of cliche briefly crumbles, then is as swiftly rebuilt.

*

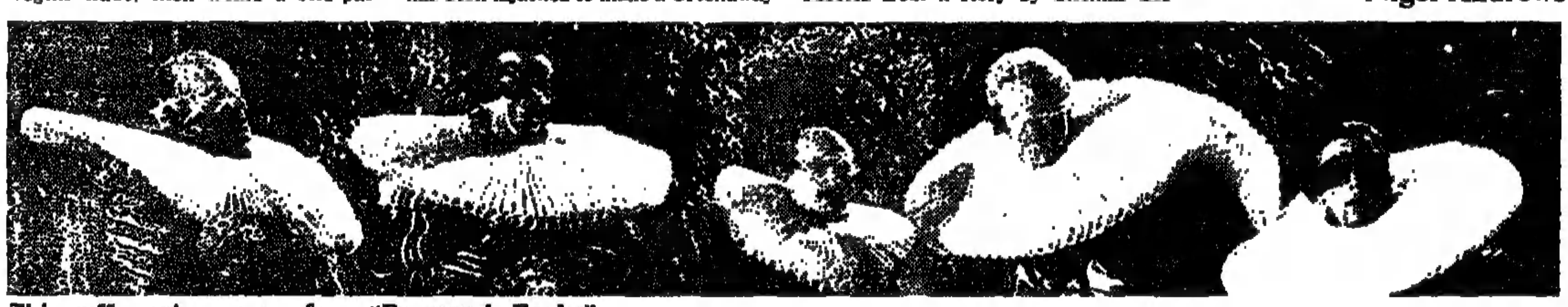
In *Dying Young*, directed by Joel (*Flatliners*) Schumacher, a millionaire's son ill with leukaemia (Campbell Scott) is warmed into love by Julia Roberts. Dying is a serious subject, but not here. Celestial pianos swoop from the clouds over the Pacific coast love-nest. Disapproving Dad makes rumbling noises from San Francisco's Nob Hill. And the *Love Story* – style conversation ranges from culture-vulture piffle – Scott is working on a PhD thesis that promises a revolutionary confusion between German impressionism and the Vienna Secession – to tell-me-about-chemotherapy dizziness from "Nurse" Roberts.

The film died young in America, despite Miss R's fan following. Two things might have saved it. A keener sense of the ridiculous, or the unapologetic sentimental conviction of *Love Story* itself. That at least had the nerve never to tell us it was sorry.

Pump Up The Volume is a multi-decibel morality tale about modern youth. Teenage pirate-radio disc jockey "Happy Harry Hard-On" (Christian Slater) makes anarchic broadcasts to the folks at Hubert Humphrey High School. Grown-up society, obviously sedated by the overdose of aspirates in the area, twigs slowly to HHH's identity. By the time they unmask him, he has mimicked on-air masturbation some 60 times, fielded about a hundred suicide calls from unhappy gay youngsters and perforated our eardrums with rock music. A film long on noise, short on notions.

Why not take yourself instead to the National Film Theatre or Barbican cinema, where tendrils of celluloid are sprouting from the main trunk of London's all-arts Japanese festival. The NFT finds masterpieces from the country's wide-screen history (Ichikawa's *The Key*, Imamura's *Profound Desires Of The Gods*), while the Barbican promises Britain's "largest ever Japanese retrospective."

Nigel Andrews



This ruff magic: a scene from "Prospero's Books"

The Alchemist

SWAN THEATRE, STRATFORD-UPON-AVON

The Royal Shakespeare Company's new production of *The Alchemist* is full of charm and incidental felicities without ever quite appreciating that Ben Jonson's play is one of the great English comedies. The trouble is, once again, the size of the stage: the Swan Theatre is too small to take it. There are times when it looks like French farce or Alan Ayckbourn. Jonson deserves better than that.

So does the RSC. The company is too good to be reduced to this space for such a big play with so many fine parts. Whenever there are more than three significant characters around at once, they tend to crowd each other out. When the dupes of the alchemist arrive in a bunch to demand redress, it is hard to take in the scene as a whole.

The small stage is also responsible for diminishing the role of Sir Epicure Mammon who, as his title suggests (two attributes, not just one), is a big figure. Sir Epicure has two speeches which must rank among the very best in Elizabethan/Jacobean drama. When he talks about "having his beds blown up, not stuffed: down is too hard" and "walking naked between my succubae", he is up there not only with Jonson's *Volpone*, but also with Marlowe's Tamburlaine. Yet you cannot give the image even of strolling in triumph through Persepolis if there isn't any room to do it. Philip Voss's Epicure tends to strut on a postage stamp.

Sam Mendes' direction is less interested in the dupes than the people who set them up. This approach has its strength as well as weaknesses. The strength is that it concentrates on the alchemist (Subtle), the housekeeper (Face) and their partner, Doll Common, who work together to defraud the gullible. There is a wonderful scene, prefaced by a Latin grace, where they sit at a table and solemnly count their loot. Coming at the end of the first half and resuming at the start of the second, it is the best vignette in the production.

On the other hand, it is the dupes who are the play's real characters. They may be flat characters in the E.M. Forster sense that they do not develop, but they are still splendid parts, and they come from all sections of society: Jonson's satire ranges very wide. Apart from Sir Epicure, there is Ananias, the zealous deacon, superbly played by Guy Henry. In this production he is the only dupe fully to realise what a good part he has.

The team-work of the conspirators, if that is not too strong a word, also tends to belittle the role of Doll Common. Joanne Pearce is very fetching in her various wigs, but she struck me as a little too disciplined: too much the team-player, not enough of an individual.

There remains an enigma that I have never understood, which is why Jonson called Surly, the one character who sees through the duping, by that name. For unless it is in the sense that he nearly spoils the fun, there is nothing surly about him. This production adds to the confusion by having Barry Lynch speak uneducated English, but fluent Spanish. It doesn't fit.

Nevertheless, there is a great deal to enjoy and I wish only that we could see it on a wider scale. Even the explosion in the under-stage laboratory is a very muffled bang. The players should let themselves go a bit more.

Malcolm Rutherford

Brand

ALDWYCH THEATRE

Perhaps it is true that London's West End theatre is about to look up. Certainly there is a splendid production of Ibsen's *Brand* at the Aldwych. It is one of Ibsen's earlier works and the one that established his reputation across Europe. It is also one of the last that he wrote in verse. It is the verse, in a marvellously effective new translation by Robert David MacDonald, that makes this production.

The plot is austere, to put it mildly. Brand is a Christ-like figure, a priest who believes in perfection and the power of the will. He lets his mother die without going to see her on her deathbed. He lets his child die rather than forsake his northern settlement for a milder climate. His wife dies as well after he has obliged her to give the clothes of their child to the son of a gypsy. All that is done in the name of obedience to God, a jealous old testament God who, as Brand says, tested Abraham with his son. Brand believes in all or nothing.

It does not come across quite as austerely as it sounds. One of the reasons for this is that Brand, as played by Roy Marsden, is at first more of an amiable seeker after truth than a religious fanatic. He smiles, has human feelings and even, by the standards of northern Norway, a sense of humour. The darker side comes later.

It is the verse that helps. In the last year or so we have become used to rhymed couplets on the English stage, largely through the translations from French by Ranjit Bolt. MacDonald carries the technique much further.

Whereas Bolt tends to specialise in wit and clever rhymes, though he extended his range in his translation of Brecht's *Resistible Rise of Arturo Ui*, at the National Theatre, MacDonald goes in for variations all the time. His verse can be light, conversational and tripping: it can also be tragic, as when Brand faces his final ordeals.

Without the verse, I do not think that the play would work. This is genuine poetic drama of the kind that would have been applauded by T.S. Eliot. (Eliot said of Ibsen that he was a great prose dramatist whose works would have been even better in verse. Obviously he had not seen a proper rendering of *Brand*.)

There is much else to admire. Marsden manages to show that Brand is not just an insufferable prig. He has doubts about whether he is right in his pursuit of fundamentalist faith. His love for his son and his wife is real. The scene in the second half when the child is dead and Agnes gets out his clothes on Christmas Eve is almost unbearably painful, yet never falls over the edge into melodrama.

Agnes is played by Kim Thomson, a beautiful woman whose grief grows on her face yet who can also look angelic as, in the literal sense of the word, she must. The production is presented by Bill Kenwright in association with the Thorndike Theatre, Leatherhead, and is directed by Roger Williams. Life in the nordic mountains requires some strong scenic effects: they come from the designer, Bernard Culshaw. In an attempt to bring epic theatre to the West End, the seat prices are £5 and £10 only.

Malcolm Rutherford

EDINBURGH FESTIVAL

Recitals

The morning recitals at this year's Edinburgh Festival were chosen to appeal. There has been nothing to compare with late Beethoven string quartets straight after breakfast down in Leith as we used to have – festival-going for the truly hardened culture vulture.

Of the recitals gathered around the end of the second week the most challenging was Steven Isserlis's programme at the Queen's Hall. For a start, there was a premiere on offer, Tavener's *Threnos* for solo cello, a short piece, limited in scope, really no more than a single meditative line; but it was a first performance and Edinburgh has not seen many of those this year.

In addition, Isserlis fills a hall the size of the Queen's with his personality in a way that he does not always do in large-scale concerto appearances. His performance of Britten's Third Cello Suite was thoroughly absorbing, because he made the music yield so much, every turn of the page seeming to bring a new mood. His Prokofiev Cello Sonata, Op.119, matched humour with romantic lyricism. It was impossible to let either waft past you. Peter Evans was the clean and able accompanist, leaving Isserlis to take the high ground with music-making of winning spontaneity.

The Panocha Quartet did not quite achieve the same in their all-Dvořák programme, the second of three recitals given by the group at the Queen's Hall. Their sound is ingratiating, the playing unfailingly musical; but it did not seize the imagination to the degree that Isserlis had. Perhaps Dvořák's easy-going lyricism, a native gift for these Czech players, does not provide the scope. Their account of the String Quintet, Op.97, certainly glowed with the required warmth.

It is a brave solo performer who moves from these homely surroundings to the chilly domed auditorium of the Usher Hall, but in this sense at least Felicity Lott is an artist who bravely goes out to meet her audience. The hall was better filled than for a major orchestral concert the night before.

Hers was an afternoon recital, which began with Strauss songs, though the audience might have been forgiven for expecting something less relaxing (Miss Lott's costume was an eye-smacking blue trouser suit with bold orange sash). This music always suits her and almost any line that took the voice upwards or over long phrases could be relied upon to bring some ravishing singing. She does not really communicate with the words, though. Merely making consonants clear is not enough.

After the interval, French music: *mélodies* by Poulenc and Hahn, operetta by Offenbach and Oscar Straus, all given immaculate support by the pianist, Roger Vignoles. Again there was a lot of sensually beautiful singing, while in the popular numbers the singer found a showbiz sense of fun one had not suspected in her. The blue and gold extravaganza had come into its own.

Richard Fairman

Kings

THE MEADOWS

It is strange to say that, of the 25 performances I saw in a seven-day visit to the Edinburgh Festival, the best one took place in a small circus tent, and all too near the madding crowd. Big-wheel engines whirred, bells rang, and kiddies yelled on the fairground outside. None of that, however, distracted the audience for this late-afternoon show.

The actor Alan Howard and the poet Christopher Logue read from *Kings*, Logue's new version of Books I and II of *The Iliad*. Logue made a brief prose announcement of the-story-so-far; then, for 40 minutes, Howard recited from memory the first 21 pages of Logue's poem. For the first several minutes, Howard perched up high, squatting on a tall bar-stool; and at first he employed only the soft tenor upper range of his voice.

The quarrel of Achilles and Agamemnon became engrossing all over again: and, thanks to Howard's effortless diction, lines like "Thrash you until your eyeballs shoot," "Fearful as the toad in a python's mouth" and "Then prayed wet-cassocked in the winking foam" gently branded themselves into the memory.

Gradually, in voice and mood, Howard widened his range, conjuring up all the bristling tension between Achilles' challenging martial tenor and Agamemnon's assured bass legato. His sheer abundance of technique, which caused such lively debate in his audience when he was a leading light with the Royal Shakespeare Company (the art that failed to conceal art), was here a constantly exciting resource. He was protagonist, supporting players, narrator and chorus. I never tired of the basic pleasure afforded by the cleanness of his vowels: the word "superiority" became a light six-note descending scale; he kept basic iambic meter always alive.

I have never known a more thrilling demonstration that poetry is something to be performed live, and from memory. When Howard stands, you see how, with relaxed shoulders and gestures, he controls his voice from the diaphragm. This central core of vitality, together with his strong face and lively neck, give a really classical essence to his performance.

After his brilliant long opening, he and Logue read the next section of the poem for some 30 minutes (Logue is also a fine reader, with an especially good tone to convey the age of wise old Nestor); and then, for the final 20 minutes, Howard recited the poem's final section, building up to the tremendous massed attack by the Greeks on the walls of Troy.

Logue has already tackled two books of the *Iliad* in *War Music*. *Kings* was published this March (Faber and Faber, £4.95) and, like *War Music*, was always planned for performance.

In his introduction, Logue acknowledges the critical support of Liane Aukin, who had already directed *War Music* with Howard for Radio 3 and some live performances. These Edinburgh performances were directed by her. As one who found myself trembling with excitement for some time afterwards, I testify to their impact.

Alastair Macaulay

INTERNATIONAL ARTS GUIDE
TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Jean Fournet conducts Netherlands Radio Philharmonic Orchestra in music by Dukas and Ravel, including the Piano Concerto in G with soloist Imogen Cooper. Tomorrow: Reinbert de Leeuw conducts Rotterdam Philharmonic Orchestra in music by Ravel, Schoenberg and Rudi Stephan. Tomorrow in the Kleine Zaal: Ravi Shankar concert. Sat: Chailly conducts the Royal Concertgebouw (6718 345)

■ BERLIN

Deutsche Oper 19.30 Heinrich Hollreiser conducts Der fliegende Holländer, with Simon Estes as the Dutchman and Sabine Hass as Senta. Tomorrow and Mon: John Dew's production of Les Huguenots. Sat: Hollreiser conducts the Ponnelle production of Fidelio. Sun: Die lustigen Weiber von Windsor (West Berlin 3410 249)
Schauspielhaus 20.00 Walter Weller conducts the Berlin Staatskapelle in Glinka's overture to Ruslan and Ludmilla, Dvorak's Fifth Symphony and Glazunov's Violin Concerto, with Frank-Peter Zimmermann. Repeated tomorrow. The season at the Staatsoper unter den Linden opens on Sun with Madama Butterfly (East Berlin 200 4762)

■ EDINBURGH

Usher Hall 20.00 Christopher Hogwood directs the Academy of Ancient Music in a Vivaldi programme. Tomorrow and Sat: Jiri Belohlavek conducts the Czech Philharmonic Orchestra. Sun: Jessye Norman, accompanied by Philip Moll, gives the closing concert of this year's Edinburgh Festival. Morning recitals in Queen's Hall: Tatyana Nikolaeva plays piano music by Shostakovich tomorrow, followed by a song recital by Thomas Allen on Sat (031-225 5756)
King's Theatre 19.00 Nicholas McGegan conducts first night of new Scottish Opera production of La clemenza di Tito, staged by Stephen Wadsworth and sung in English. Repeated on Sat (031-225 5756)
Playhouse Theatre 18.45 Ballet of the Deutsche Oper, Berlin, presents Ring Round The Ring, a four-hour Béjart extravaganza inspired by Wagner. Tomorrow, Sat and Sun: Peter Schaufuss' Berlin production of Giselle (031-225 5756)
St Bride's Centre 19.15 Open Theatre of Belgrade presents Anouilh's play The Ladies' Band (L'Orchestre), in its first professional staging in Britain. Repeated tomorrow and Sat (031-225 5756)

■ FRANKFURT

Alte Oper 20.00 Diego Masson conducts the Orchestra Giovanile Italiana in Richard Strauss' Alpine Symphony and Sylvano Bussotti's Bergkristall for large orchestra. Tomorrow and next Mon: Marcello Viotti conducts first modern performances of Alberto Franchetti's grand opera Cristoforo Colombo, with a cast led by Renato Bruson. Sun: Leonid Grin conducts music by Wolfgang Rihm (1340 400)

■ GENEVA

Grand Casino 20.30 Mario Venzago conducts a concert performance of Othmar Schoeck's opera Venus (1922), with a cast led by James O'Neal and Lucia Popp (289982)

■ HAMBURG

Musikhalle 20.00 Zubin Mehta conducts Israel Philharmonic Orchestra in Mozart's overture to Die Zauberflöte and Symphony No 41, plus Dvorak's New World Symphony. Tomorrow: Michel Tabachnik conducts Varese and Brahms. Sat at 21.15: Mehta conducts Mahler's Ninth. Sun: Ingo Metzmacher conducts all-Varese programme. Next Mon and Tues: Czech Philharmonic Orchestra (448826)

■ HELSINKI

Finlandia-huset 19.30 Jukka-Pekka Saraste conducts the Finnish Radio Symphony Orchestra in Stravinsky's Scherzo à la Russe and Petruschka, with Nikolai Petrov soloist in Rachmaninov's Second Piano Concerto. Tomorrow and Sat: violin recitals by Sergey Stadler. The Helsinki Festival runs till Sep 8 (9700 4700)
Uspenski Cathedral 19.00 Vladimir Chernushenko conducts the Leningrad M.I.Glinka Choir in a programme of Russian spiritual songs. The choir sings Rachmaninov's Vespers tomorrow at Helsinki University (9700 4700)

■ LEIPZIG

Gewandhaus 20.00 Kurt Masur conducts the Leipzig Gewandhaus Orchestra in Beethoven's Second Symphony, plus Mozart's Haffner Symphony and Sinfonia Concertante K364 with soloists Christian Funke and Karl Suske. Repeated tomorrow. Sun: Chris Barber Jazz and Blues Band (7132 252)
Opernhaus The new season opens on Sat with Die Zauberflöte conducted by Lothar Zagrosek (also Sep 3, 6), followed by Tosca on Sun (7168 273)

■ LONDON

MUSIC

Coliseum 19.00 Jerzy Maksymiuk conducts Don Giovanni, in a production by Jonathan Miller restaged by Francesca Joseph. Steven Page sings the title role, with Jane Eaglen as Donna Anna. Tomorrow: David Atherton conducts revival of Tim Albery's production of Billy Budd, with Philip Langridge as Vere. Sat: Werther (071-836 3161)
Royal Festival Hall 19.30 John Eliot Gardiner conducts the English Baroque Soloists and Monteverdi Choir in a concert performance of Die Entführung aus dem Serail, with Luba Orgonasova as Konstanze and Kurt Rydl as Osmin. This is part of the South Bank Mozart Now Festival. Tomorrow in the Queen Elizabeth Hall: recital by Arleen Auger accompanied by Melvyn Tan, followed by a series of events on Sat and Sun devoted to the music of 1791, with the London Classical Players conducted by Roger Norrington (071-928 8800)
Royal Albert Hall 19.30 Vladimir Ashkenazy conducts Royal Philharmonic Orchestra in Tippett's Concerto for Double String Orchestra, Glazunov's Violin Concerto with Kurt Nikkanen, and Walton's First Symphony. Tomorrow: Peter Eotvos conducts world premiere of Peter Paul Nash's Symphony, plus Britten's Serenade for tenor, horn and strings, and Birtwistle's Earth Dances. Sat: Tennstedt conducts Beethoven's Ninth. Sun and Mon: Orchestre de Paris (071-823 9998)

THEATRE

National Theatre:
● The Miser by Moliere (1668) can be seen tonight, tomorrow and Sat in the Olivier, directed by Steven Pimlott, with a cast led by Eleanor Bron and Charles Kay. Next Mon, Tues, Wed: The White Devil, John Webster's tale of Jacobean corruption, directed by Philip Prowse.
● Long Day's Journey Into Night (tonight at the Lyttelton), is Eugene O'Neill's masterpiece of family guilt, directed by Howard Davies and starring Prunella Scales and Timothy West. Tomorrow and Sat, Ian McKellen gives his Olivier Award-winning performance in Shakespeare's Richard III.
● White Chameleon (tonight at the Cottesloe) is Christopher Hampton's semi-fictional evocation of his childhood in Egypt in the 1950s. Tomorrow and Sat, the Cottesloe is showing Keith Dewhurst's new play Black Snow, based on Bulgakov's satirical novel about Moscow theatre in the 1920s. (071-928 2252)
For information about other shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ STRATFORD

Royal Shakespeare Theatre 19.30 The RSC's new production of Romeo and Juliet has just opened, in a production directed by David Leveaux and with a cast led by Clare Holman and Michael Maloney (tonight, also next Mon, Tues, Wed). Tomorrow: Twelfth Night. Sat: Henry IV Parts 1 and 2, with Robert Stephens as Sir John Falstaff (0789-295623)
Swan Theatre 19.30 Sam Mendes' new production of Ben Johnson's comedy The Alchemist has a cast led by David Bradley as Subtle (tonight, also next Mon, Tues, Wed). Tomorrow: Shakespeare's youthful love story The Two Gentlemen of Verona. Sat: 'Tis Pity She's A Whore by the English Renaissance dramatist John Ford (0789-295623)

■ VIENNA

Auersperg 20.00 Avedis Kouyoumdjian plays piano music by Haydn, Mozart and Beethoven (4000 8400)
Nationalbibliothek 20.00 Manfred Huss conducts the Haydn Sinfonietta of Vienna in music by Haydn and Mozart, with violin soloist Simon Standage (825208)
Odeon 21.00 Dance in Vienna season: the final guest is Carlotta Ikeda from Tokyo, with a work entitled Utt. Repeated tomorrow and Sat (245562)

European Cable and Satellite Business TV

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MONDAY TO FRIDAY
Eurosport
0900-0930 International Business report
CNN
0500-0530 Moneyline
0800-0830 Moneyline
1230-1300 CNN Market Watch
1330-1400 Business Day
2000-2030 World Business Today - a joint FT/CNN production with a review of the day's major business stories with Grant Perry and Colin Chapman
2300-2330 World Business Today
0100-0130 Moneyline
Superchannel
2220 - 2250 (Wed) Financial Times Business Weekly - the latest round-up of business news with James Bellini and Debbie Middleton.
0830 & 2030 (Thurs) Financial Times Business Weekly
Sky News
1200 International Business Report
2130 (Thurs) Financial Times Business Weekly

SATURDAY
CNN
0800-0830 Moneyline
0900-0930 World Business Today - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
2110-2140 Your Money

SUNDAY
Superchannel
1800-1830 FT Business Weekly
1930-2000 FT Business Weekly
2330-0030 FT Business Weekly
Sky News
1030-1100 FT Business Weekly
CNN
0710-0740 Moneyweek
1540-1610 Your Money
1900-1940 Moneyweek
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FINANCIAL TIMES

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Europe and Yugoslavia

A DECISION which could shape the future [illegible] Europe [illegible] the European Community. It [illegible] whether or not to [illegible] the independence [illegible] the [illegible] Yugoslav republics [illegible] Slovenia and Croatia. The [illegible] is not easy.

Slovene and Croat [illegible] can argue that [illegible] recognition of the three Baltic republics [illegible] the way for their own recognition. But the Baltic case is sui generis. The forcible incorporation into the Soviet Union of Latvia, Lithuania and Estonia in 1940 was never accepted by the international community. And, as EC ministers pointed out on Tuesday, the recognition of the Baltic republics does not automatically legitimise claims from other independent-minded republics.

At the same time, any decision by the EC with regard to Slovenia and Croatia must not be solely motivated by the need to make a gesture against Serbia, the largest of the Yugoslav republics. It is true that Serb nationalists, backed by the federal army, have attempted to change Croatia's borders by force with the aim of carving out a Greater Serbia. Serbia now controls nearly 20 per cent of Croatia's territory, the annexation of which can never be acceptable. Mr Slobodan Milosevic, the president of Serbia, undoubtedly relishes the confusion among the Twelve vis-à-vis Slovenia and Croatia. There is a danger that if the Community, after weeks of well-intentioned mediation, fails to recognise the independence of Slovenia and Croatia, it will be read in Belgrade as a sign of approval.

Considerable grounds

The grounds for recognising Slovenia and Croatia are considerable. Besides the historical point that they never chose to live in a communist Yugoslavia, the citizens of those two republics earlier this year voted for independence from the Yugoslav federation. Their declarations of independence on June 25 was an expression of their desire to escape from life in an authoritarian state; feelings have been strengthened by the behaviour of the Serbian-backed army in recent months.

Since June, Slovenia has taken control of its borders, its foreign and domestic policy, and its own defence and security; it thus meets accepted criteria for statehood. The fact that Slovenia also has a free press, respects human rights and is on the road to a market economy, makes it a welcome member of the European community of nations. Although Croatia qualifies for recognition on technical grounds, its record is far less appealing. It political and economic system and has been dilatory in reassuring the 600,000 ethnic Serbs who live inside Croatia that their ethnic and cultural rights will be respected. The European community will thus be right to make a distinction between Slovenia and Croatia in the pace of the recognition process.

Formal demise

Recognition by the Twelve certainly has momentous implications. Since, the non-elected federal government consistently opposed secession unless it was negotiated, it spells the end of the federation and the formal demise of Yugoslavia. But since Slovenia's efforts constitutionally to negotiate its independence from the federation have been repeatedly blocked by the Serbian-dominated collective presidency, that cannot be advanced as a reason for inaction. Mr Milosevic must not be allowed to re-shape the Balkans according to a narrow and repressive Serbian vision.

Equally, however, the Community has to understand that defying Mr Milosevic on the future of Slovenia and Croatia will not stop him. All that can be achieved is an appropriately timed recognition of the two breakaway republics, combined pressure for a mediated peace process and the clearest possible declaration that those whose politics involve the forcible redrawing of international borders will never qualify for membership of Europe's economic and political system.

Monetary cures

MUCH of the [illegible] of British economic policy in the late 1980s stemmed from the Treasury's inadequate response to a dramatic change in the structure of the private sector's balance sheet. That upheaval in turn was driven by financial liberalisation and excessive optimism, fuelled by the longest post-war recovery. The government's inability to grasp the strength of the forces it unleashed on the economy has now caused it to impose a monetary regime which is almost as tight as that of the early 1980s. The question now is whether this one-off adjustment in the private sector is already complete and how far a deregulated financial market is compatible with stable growth.

The severity of the recession almost certainly ensures that it will be a long time before private individuals are prepared to increase debt much beyond present levels in relation to income. Yet the existence of substantial unused collateral in the housing market points to some residual risk of a mini-credit boom in the future. Hence the validity of the question raised in an article by J R Sargent in the latest National Institute Economic Review: is there a case for a return to a regulated financial system?

The shortcomings of a monetary policy that places exclusive reliance on interest rates have already been exposed by the Lawson boom. It is not simply that interest rates take a long time to bite in a deregulated market; even penal rates of interest will fail to deter borrowers when asset prices are rising as fast as house prices rose in the late 1980s.

Yet the alternatives are scarcely more palatable. Regulating finance is no longer synonymous with regulating financial institutions. In the absence of exchange controls, which are neither feasible nor desirable, the scope for avoiding regulation is infinite. The efficiency gains from deregulation would be lost as re-regulation introduced fresh distortions.

That is not to say that all attempts at re-regulation are bound to fail. The case for loan-to-value ratios in the mortgage market, which would deprive bankers of security for bad loans, bears consideration. Yet it remains striking that in the US, which went through a similar process of deregulation in the 1980s, the Federal Reserve's approach to monetary control not only relied exclusively on interest rates, but succeeded in pre-empting serious inflationary pressures. The US difficulties lay chiefly on the side of supervision.

The shortcomings of British monetary policy will presumably be addressed through membership of the Exchange Rate Mechanism. In the meantime there is ample room for improvement in the Treasury's forecasting record. Here Mr Sargent offers an interesting idea: a British equivalent of the Council of Economic Advisers. There are plenty of practical objections. But there may be something in the more general principle of introducing some independence into a forecasting process that is vulnerable to political manipulation.

Holiday work

WITH FOUR uninterrupted months of work until Christmas, the National Economic Development Council has proposed a new bank holiday in the third week of October. The Gradgrinds at the Department of Employment and CBI were quick to disparage the "Harvest Holiday" as a blow to competitiveness.

The threat to the national interest should not be overdone. It is the quality of work which matters, not the quantity: working non-stop through the autumn does not certainly means productivity is lower in December than in August.

But if the UK economy depends on having the lowest number of statutory holidays in the EC, the unloved May Day holiday could be dropped in compensation. The weather has never been kind to this import, and the proletarian internationalism it celebrates has lost its cachet. Getting rid of it would eliminate the cluster of three bank holiday Mondays in as little as six weeks – which so disrupt production.

The NEDC also suggests anchoring Easter to the second Sunday in April. This might simplify life for schools and the tourism industry, but it would leave the UK out of synch with the rest of the EC, with exchanges, banks and businesses closed when their European counterparts were open, and vice versa. Interfering with religious observance might be a duty which Westminster could usefully relinquish to Brussels.

The defeat of last week's attempted coup and the end of the Communist party's hold on Soviet life [illegible] the easier of the herculean labours [illegible] the peoples of the Soviet Union. Now [illegible] the hard part: reforming the Soviet economy in the midst of catastrophic collapse and apparently irresistible pressures for political dissolution. Can it even be done and what, if any, role should the west play?

The question of western aid must at least be addressed. Contrary to the bleating, largely from the left, about the west's failure to support Mr Gorbachev, the topic was not worth serious discussion until now.

The view that greater assistance to the Soviet Union would have prevented the coup is politically implausible and economically illiterate. In the pre-coup Soviet Union, where shortages and growing economic disarray were the result of suppressed hyperinflation and the collapse of central planning, aid would have been worse than useless. It would have made it still easier for the hierarchy to postpone changes that it was evidently unwilling to make.

All that now changed. The old communist power structure committed suicide last week. The power of the Communist party apparatchiks to obstruct reform, the capacity of the military to extract resources and the determination of the KGB to intimidate private entrepreneurs have all gone. Like the countries of eastern and central Europe before it, the Soviet Union can at last embark on serious reform. Unfortunately, the revolution that has made it economically essential has also made it politically inconceivable and also made it technically still more difficult.

The difficulties are not just the well-known ones: the breakdown of central planning, the collapse of fiscal and monetary discipline, imminent hyperinflation, the disappearance of virtually all [illegible] discipline and the growing risk of default on the Soviet external debt. In these respects the situation is dreadful, but not far worse than in Poland in 1989. Such a crisis can even be a stimulus to reform rather than an obstacle.

Nor is the difficulty the hostility to entrepreneurs, excoriated as "black marketeers" and "speculators", and the ignorance, throughout society, of what a market economy is and how it works. Even in these respects the Soviet Union may not be that much worse than other post-communist countries. What makes transformation of the Soviet Union almost uniquely difficult is that on top of the adjustment faced by the old economy to the new, which experience in eastern and central Europe has shown will be protracted and severe, now comes the disintegration of the Soviet Union itself.

President Mikhail Gorbachev argues that "all the logic of our lives for centuries of history show that splitting apart... would be deadly for our people". He is right. A breakdown in internal commerce within the Soviet Union, coming on top of the 10-20 per cent decline in gross domestic product already likely this year, would inflict something close to economic death. There might, and, in theory, should be economic life after such death. But the consequences of internal economic collapse for inter-ethnic and inter-republican conflict are terrifying.

A paradoxical feature of the present rush for the exit is that the dominance of Russia, which is what the other republics fear, is why it alone can contemplate economic disintegration with equanimity. Responsible for 61 per cent of the Soviet output and 90 per cent of its output of oil, according to the figures of the International Monetary Fund, and with three quarters of the area and half of its population, the Russian Federation is a colossus among pygmies. With exports to other republics at 18 per cent of net material product (see chart) in 1988, the disintegration of the Soviet Union would be very painful for Russia, but it would survive, even in the short to medium term.

For the other republics, however, the adjustment would be traumatic. This is true even of the Ukraine, though it is a good-sized republic of 52m people – 18 per cent of the Soviet population – and generates 16 per cent of net Soviet output. Together, Russia and the Ukraine make up the bulk of the Soviet Union, with almost 80 per cent of its output and area and almost 70 per cent of its population. The addition of Belorussia and Kazakhstan brings the total to 86 per cent of Soviet output.

Yet even relatively important republics could be devastated by a Soviet economic dis-union. Exports to other republics were equal to 31 per cent of Kazakhstan's net material product in 1988 (and perhaps about 22 per cent of its gross domestic product). Inter-republican exports accounted for 39 per cent of Ukraine's net material product; for Belorussia the corresponding figure was 70 per cent, highest of all the republics, though not much higher than for several others.

Even such figures understate the effects of a collapse in inter-republican commerce to this economy. The joint report from four international agencies released at the end of last year[1] insists that "an estimated 30-40 per cent of total industrial output is accounted for by products for which there is but a single manufacturer." The Central Intelligence Agency notes that "the Soviet Union's entire output of potato, corn and cotton harvesting machinery comes from single factories – all in different republics".[2]

Moreover, trade outside the Soviet Union would offer no easy escape from a collapse of internal Soviet trade. Traditional links with eastern Europe are broken. More important, the ratio of exports to the rest of the Union to exports to the rest of the world varies from more than two to one for Russia to no less than 46-to-one in the case of Armenia.

What has happened to eastern and central European countries as a result of the collapse in the trade of the Council for Mutual Economic Assistance (Comecon), traumatic though it has been, is but a pale shadow of what would happen to the Soviet republics. In 1988 the ratio of exports to Comecon to net material product was 20 per cent for Czechoslovakia, 16 per cent for Hungary, and only 9 per cent for Poland. These figures are far lower than those for the dependence upon one another of all the Soviet republics, but one.

The internal commerce of the Soviet Union must be sustained, whatever happens to its political arrangements. This should be an overriding objective of the republics of the Soviet Union. It must be a big concern of the west as well.

Yet the survival of such commerce is far from guaranteed. On the contrary, between independent states with comprehensive controls over their economies and no common or convertible currency, the collapse of trade is almost certain. Controlled economies always tend towards autarky. In the Soviet case – where one of the main reasons for the search for monetary independence is to protect republican resources from the market – a shift towards republican autarky is still more likely. Such moves have already played an important part in the economic decline of the past two years and would make it still worse in the future.

The hierarchical structure of central planning was one way to organise internal trade. Horizontal links among profit-seeking enterprises are the only other one. If moves to the market were important before this, they have now become vital. Only on the basis of private property and free trade is there hope of maintaining economic links amongst the constituent republics of the Soviet Union. To the extent, therefore, that republican autarchy is sought by old-style communists as a way of maintaining their position, the chances of maintaining inter-republican trade are significantly diminished.

Market relations among the republics must, therefore, be an essential element in any modified version of the Soviet Union treaty, whose signing was rudely interrupted last week. Equally important, however, is the absence of internal exchange controls. Yet with many republics thinking of issuing their own currencies as a replacement for the rouble, such controls would be inevitable. With the rouble becoming worthless, the peoples of the Soviet Union need a new monetary constitution.

Probably the best alternative would be to make the rouble a common Soviet currency backed either by commodities or by foreign exchange. Such a currency would by definition not be prey to political manipulation either by the centre or by any republican government. It could only be introduced after devaluation (and inflation) of the current rouble, or after demonetisation of a part of the existing monetary stock. There could then be no monetary financing of fiscal deficits, be they of the centre or republican levels.

Such an approach could also be achieved, at least in theory, by adopting the draft treaty on economic and monetary union of the European Community. But who would have confidence in any Soviet money imposed by fiat?

An inferior alternative would be to make the rouble the currency of Russia alone. The Russian government would be responsible for maintaining its internal value (again after dealing with the overhang and eliminating monetary financing of fiscal deficits). Currencies of the other former republics would then have to be convertible into that rouble (though not necessarily at a fixed exchange rate). Such an arrangement would, in effect, replicate the exchange rate mechanism of the European Monetary System. It may be noted that, under such an arrangement, once the currency is made convertible into non-Soviet currencies, they would all be.)

In addition, the fiscal crises of the Soviet Union and the republics must be resolved. How precisely this is done would have to depend on whether any central government would retain substantial responsibilities. But internal trade could probably not be sustained in the short term without inter-republican fiscal transfers. One only has to look at what would happen to the trade balances of Russia and the remaining republics following a move towards world prices.

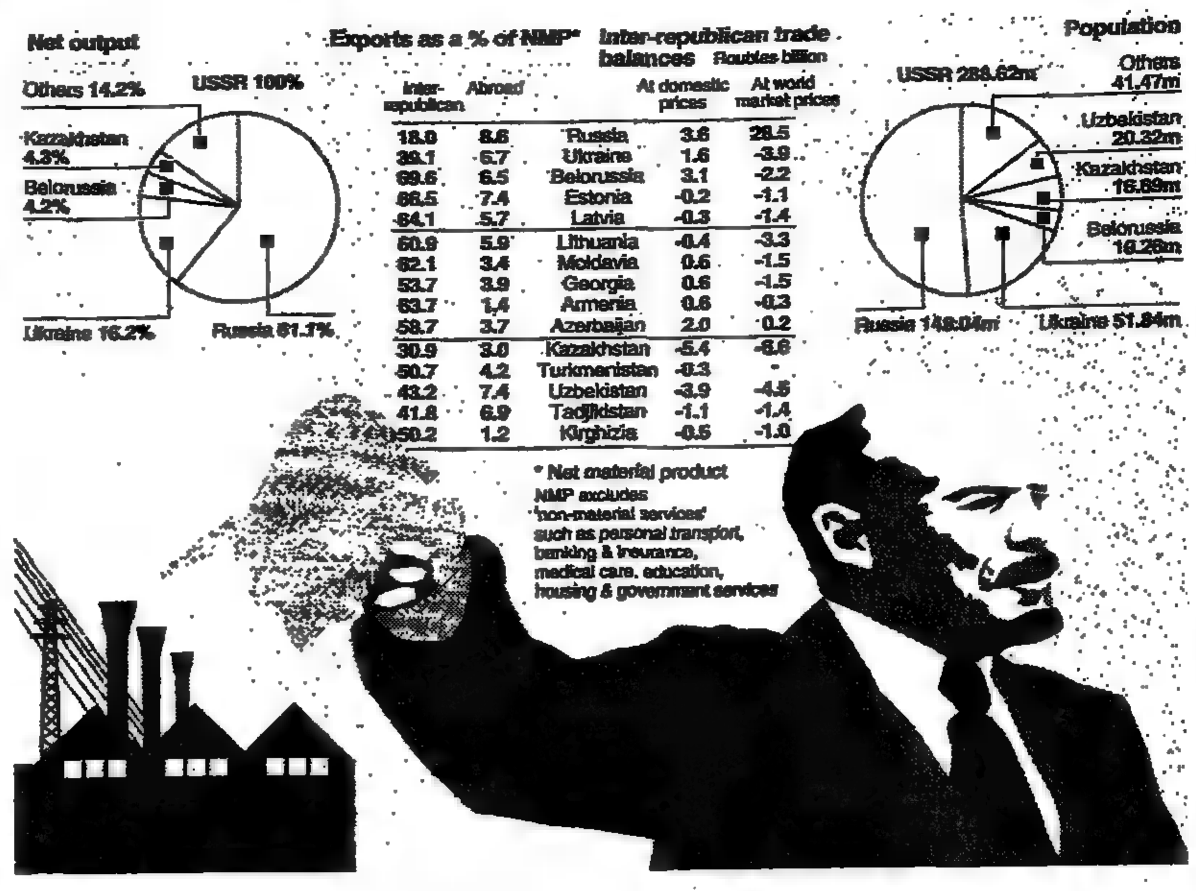
The obstacles to radical reform presented by the old central government may have largely collapsed. But the disintegration of the Union has increased the need for reform, while making it more difficult. A treaty creating an economic union is vital. Without it, the Soviet economy faces a collapse which could make what has happened in eastern Europe look like a mild recession.

Given the political dangers, the west cannot be a mere bystander. On the contrary, it should make clear its willingness to supply substantial assistance. But that assistance must be predicated on the maintenance of economic union. Western aid must not be offered as a prop to republics that inflict upon themselves the unnecessary wound of precipitate and ill-considered withdrawal from economic relations with the rest of the Soviet Union. The Baltic states may, by virtue of their history and their location, be a special case. But, for the rest at least, a viable plan for an economic and, if possible, a monetary union must be agreed and implemented. On this point, President Gorbachev deserves – and should be given – strong western support.

[1] International Monetary Fund, International Bank for Reconstruction and Development, Organisation for Economic Co-operation and Development and the European Bank for Reconstruction and Development, The Economy of the USSR, Summary and Recommendations, December 1990. [2] Central Intelligence Agency, Beyond Perestroika: the Soviet Economy in Crisis, May 1991.

Martin Wolf argues that political autonomy for the republics could lead to the disintegration of the Soviet economy

Breaking up is hard to do



Exports as a % of NMP* Inter-republican	Abroad		Inter-republican trade balances Roubles billion At domestic prices	At world market prices
18.0	8.6	Russia	3.6	28.5
39.1	6.7	Ukraine	1.6	-3.9
69.6	6.5	Belorussia	3.1	-2.2
66.5	7.4	Estonia	-0.2	-1.1
64.1	5.7	Latvia	-0.3	-1.4
60.9	5.9	Lithuania	-0.4	-3.3
62.1	3.4	Moldavia	0.6	-1.5
53.7	3.9	Georgia	0.6	-1.5
63.7	1.4	Armenia	0.6	-0.3
58.7	3.7	Azerbaijan	2.0	0.2
30.9	3.0	Kazakhstan	-5.4	-6.6
50.7	4.2	Turkmenistan	-0.3	-
43.2	7.4	Uzbekistan	-3.9	-4.5
41.8	6.9	Tadjikistan	-1.1	-1.4
50.2	1.2	Kirghizia	-0.5	-1.0

* Net material product
NMP excludes 'non-material services' such as personal transport, banking & insurance, medical care, education, housing & government services

A breakdown in internal commerce, coming on top of the decline in GDP already likely this year, would inflict something close to economic death

OBSERVER

Surprise candidate

■ How about Mikhail Gorbachev for United Nations secretary-general? His name is being canvassed in some Washington circles as a successor to Pérez de Cuellar who has now announced he will not seek another term.

The Gorbachev campaign will hardly find favour with President Bush who has gone out of his way to support the Soviet president since he emerged from house arrest in the Crimea. Bush now sees him as a vital force for stability in the delicate power-sharing arrangement with Boris Yeltsin.

But other voices in the US Congress - notably Senator Bill Bradley, the New Jersey Democrat - have begun touting Gorbachev as an ideal successor to de Cuellar. Bradley says Gorbachev has accomplished a historic mission in his own country as the godfather of reform; now he needs "a new and enlarged role" on the world's stage as UN secretary-general.

As a Nobel Peace Laureate and a long-standing advocate of an expanded role for the UN, Gorbachev would certainly seem well qualified for the job, which would be a good deal more secure than the one he occupies at present.

But even assuming he wanted it - which must be doubtful given his latest bid for a comeback in Soviet politics - Gorbachev would have to overcome one potential drawback. As secretary-general, his first peace-keeping mission might just be to mediate between the feuding republics in the Soviet Union.

Accident bank

■ Nice to know that Midland Bank has not lost its nose for trouble. When there's a financial black hole, dear old Midland is rarely far from the edge.

So it should hardly come as a surprise that the Midland Montagu [illegible] has cropped up as one of the two [illegible] banks belonging to a 15-strong syndicate owed a fortune by [illegible] – the finance arm of Erik Penser, the Swedish gambler

Live wire

■ At least some life should be brought to Britain's Citizen's Charter advisory panel by the inclusion of "Mad" Pirie, president of the right-wing Adam Smith Institute since 1978. Although [illegible] Madsen, he is known by his nickname to friends and enemies alike – which is scarcely surprising given that the Institute still proudly claims credit for thinking up the poll tax.

The ASI likewise claims the credit for the Citizens' Charter. That's because it held a seminar in February on the "empowerment" of consumers of public services, which was attended by a member of the Downing Street Policy Unit.

Graham Mather of the rival Institute of Economic Affairs first argued that [illegible] had been calling for contracts between producers and users of public services for some years.

Neither did the bow-tie sporting Pirie's claims go down well with the politicians who mulled over the citizen's charter scheme. He was not asked to the famous Chequers seminar which shaped the final result.

But unabashed, he set up a series of seminars to develop the ideas. Hence, no doubt, his being rewarded with a place on group that will steer through the initiative.

Also on the Panel is Lady Wilcox, who was at the Chequers seminar, and chairs the National Consumer Council....

And who Dr Nancy J Lane? A neurobiologist?

"This time next year we could be in the Eurovision song contest."

who is now being bailed out by his government. The rest from Midland is that there is nothing to worry about.

Of course.

Smith digs in

■ S.G. Warburg and Cazenove, beware. Smith New Court is on your tail.

Yesterday SNC picked up 11 new corporate clients, brokerships and other names such as [illegible] Exploration and [illegible] Investments don't mean much to the average punter, it is yet another sign that Smith New Court is intent on being the institutional firm that counts when it comes to dealing with South Africa.

In terms of making markets in South African shares in London and New York, South New Court is already the dominant player. But it is now making a big push for corporate finance business and the appointment as London representatives for the various companies in the Johannesburg Consolidated Investments empire puts it in an enviable position.

Having pinched Genamp from James Capel, Rand Mines from Laurence Prust, and also Johnnies from Williams de Broe, JCI probably already has the biggest corporate client list of any firm servicing the South African mining industry. Only Warburg's Kloof and Pitman and Cazenove come close, and they do not seem to be hustling for business like "the brothers".

Paddy's jobshop

■ "Under our existing constitution," said yesterday's Liberal Democrat campaign document, "the Prime Minister and the Chancellor...need only take into account the effects of policy on those people and parts of the country that are most important to them in electoral terms."

Interesting then, that the document in question was printed by Rectory Print of [illegible], in leader Paddy Ashdown's Yeovil constituency. The company, which Ashdown helped to develop some years ago, "happens to have the most competitive prices and the most efficient service," says a party minion.

Cross bred

■ Australia's "tall poppy" syndrome – the tendency to cut overly famous figures down to size – has undergone a metamorphosis in Nikkei Weekly, the English language edition of Japan's Nihon Keizai Shimbun newspaper.

In a recent survey of Australia, the weekly repeatedly refers to the country's "tall puppy" syndrome, concluding solemnly: "For Australia to take its place on the world podium, it must lose the tall puppy syndrome and start wagging its own tail."

Sounds a bit of a shaggy dog story to me.

Volkswagen shifts into a global gear

The launch of the new Golf holds the key to VW's plans for expansion in Europe and north America, says Kevin Done

Volkswagen is driving down a road of breathless expansion. While the equity markets remain fearful of the group's disappointing profitability, the high costs [redacted] German manufacturing base and its formidable investment commitments, the German car maker is intent on moving into a league of its own in Europe.

It is drawing rapidly away from its local rivals, as the challenge from Fiat of Italy for its European crown has *faded in the* past two years. VW's leadership status is now undisputed. Just as important, it is asserting its role as the only European volume car maker with pretensions to being a truly global producer.

As VW prepares for the public unveiling next month at the Frankfurt motor show of its third-generation Golf – the car which must play a crucial role in shaping the group's fortunes in the 1990s as Europe's best-selling model – Mr Carl Hahn, chairman of the VW management board, claims vehicle sales are on course to increase to 4.5m by the year 2000.

The company aims to become big enough to challenge General Motors, *Ford and Toyota as a leader of the* world auto industry. In this league financial muscle is critical for expansion, and Mr Hahn says the group plans capital investment and spending on new product development of DM10bn (£3.4bn) a year for the next five years, sums which worry financial analysts.

For the first time last year VW broke through the 3m barrier with sales increasing to 3.03m from only 2.1m in 1982

"A significant gap between VW's internally generated cash flow and its massive capital expenditure requirements opens up in 1991 and widens during 1992 and 1993," claims Mr Stephen Reitman, automotive analyst at UBS Phillips and Drew, the stockbroker. Higher borrowings will slash financial earnings, which accounted for almost half of the the group's 1990 pre-tax income of DM2.39bn, he says.

"VW is dashing for growth, *attempting to mitigate its ruinously* expensive domestic manufacturing handicap by expanding explosively outside Germany."

Mr Hahn does not dispute the dash for growth but emphasises that already this year close to half of the group's output will come from outside Germany. He claims that the opening up of *eastern Europe has presented* VW with opportunities of a historical dimension, and he insists that the group is "fully capable" of handling [redacted] extra load.

"We still run with enormously comfortable liquidity. People always have problems interpreting our financial figures. We [redacted] enormously conservative."

Last year for the first time the VW group broke through the 3m barrier with total vehicle sales increasing to 3.03m from only 2.1m in 1982. With the inclusion of Skoda, the Czechoslovak car maker which VW acquired earlier this year, and buoyed by the extraordinary jump in new car demand in unified Germany, Mr Hahn already expects sales to approach 3.5m this year.

The urbane 65-year-old Volkswagen chairman has already had his contract prolonged by a grateful supervisory board by two years to the end of 1993. This is to allow him to continue with crucial new product introductions, acquisitions and capacity expansion. Born in the eastern German city of Chemnitz – now no longer Karl-Marx-Stadt – Mr Hahn has led a personal drive by the German car maker into eastern Europe. These include:

- *Ambitious projects in eastern Germany which demand an investment of about DM4.6bn, most importantly for a 1,200-a-day integrated car plant at Mosel, where production of the new Golf is set to begin in 1994. Kit assembly of the current Golf range is already under way.*
- In Czechoslovakia two takeovers, including Skoda, have helped to underline VW's leading position in eastern Europe. At Skoda, VW plans a DM9bn investment programme in the 1990s with a doubling of capacity to 400,000 cars a year and a new engine plant. *Its 31 per cent stake will rise to 70 per cent in 1995, but it has already taken full management control.*

At Bratislava, VW is to build a 1,400 units-a-day transmission plant and will assemble about 30,000 VW Passats a year.

Mr Hahn rejects criticism that VW may be over-reaching itself in eastern *Europe. The same strategy that led to* the SEAT purchase in 1986 lies behind [redacted] acquisition, he insists, namely [redacted] of an [redacted] brand name, access to a new market, the purchase of production capacity and [redacted] and distribution channels and market [redacted]

"In [redacted]trast to many of our compet*itors we have* [redacted] *entering* [redacted] a blank [redacted] on [redacted] map," [redacted]

[redacted] Europe – the former East Germany, Czechoslovakia, Bulgaria, Poland, Romania [redacted] Hungary – VW [redacted] to jump from [redacted] 863,000 in 1989 [redacted] 1.5m-1.8m in [redacted] 2.15m-2.5m [redacted]

Eastern Europe is only part of the VW group's planned global expansion:

- It is seeking to establish itself as [redacted] leading western car maker in China with [redacted] total capacity of about [redacted] *1990s. It will build 150,000 cars* [redacted] year by 1996 through [redacted] 40 per cent stake in a joint [redacted] with [redacted] Automobile Works in Changchun in [redacted] – its [redacted] joint [redacted] VW [redacted] develop [redacted] low-cost manufacturing base in Asia and the DM1.5bn project will include engine and gearbox *plants* [redacted] *assembly.*

[redacted] Japan [redacted] hopes [redacted] increase [redacted] through [redacted] co-operation [redacted] Toyota, [redacted] leading global rival, [redacted] VW/Audi cars through one [redacted] local [redacted] channels.

- In [redacted] VW [redacted] increasing capacity by [redacted] per [redacted] country increasingly as [redacted] low-cost *production base for north America,* having [redacted] assembly plants [redacted] 1988.

The company is developing [redacted] regional headquarters in Detroit for the north American region, including the US, Canada and Mexico. While European producers such as Peugeot and Rover are abandoning the US car market, the VW chairman insists that a presence is vital.

The US sets the benchmark in areas where the auto industry is being most severely challenged by the regulatory authorities, such as in safety and [redacted] standards. Also, Mr Hahn is *clear that the US market is the most* competitive in the world, where VW needs to prove itself if it is to be a global player.

"We simply cannot afford to give up either the opportunities offered by the US market, or the learning processes and experience it imposes," he says.

"In [redacted] US we have already been *exposed for 10 years to the sort of* conditions that await us in Europe in the 1990s, namely the competition of an absolute buyer's market, where [redacted] is [redacted] undisputed king."

- [redacted] VW's most important expansion projects in western Europe is in Spain, where the takeover of SEAT, the previously loss-making car producer, is bearing fruit. About DM10bn is being invested in new plants and new model development in the 1990s, *and next year will see the* start-up of a 350,000 cars-a-year plant at Martorell, near Barcelona.
- In Portugal, together [redacted] Ford, the VW group is venturing into a new segment of the European car market in [redacted] $2.8bn project to develop [redacted] produce a range of minivans, seven-eight seat high-roof estate cars *of the type pioneered in Europe by the Renault Espace.*

Alongside acquisitions and expansion of capacity, VW is also making moves on the new product front.

One car, the Golf, accounts for 30 per cent of the VW group's total car production – the share is more than 38 per cent with the inclusion of the related VW Jetta saloon. The third-generation Golf may well challenge the Beetle for a place in automotive history by the end of the decade.

The company has produced more than 12.7m Golfs in two model generations since 1974, including the current car launched in 1984, while total Beetle production now approaches 21m.

Volkswagen has spent DM2.7bn in research and development and new plant and equipment for the Golf, which is expected to be produced at a rate of more than 4,000 a day by the *mid-1990s.*

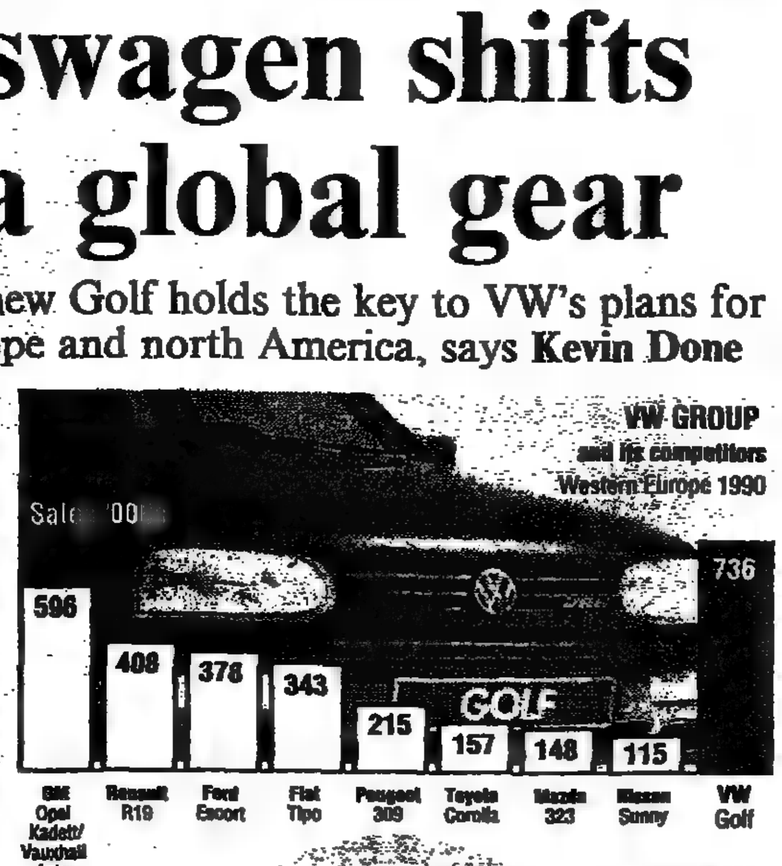
The Golf launch will spark intense competition in one of the most hotly contested segments of the European car market. It coincides with the launch by General Motors of its new generation Opel/Vauxhall Astra, the second-best-selling car in Europe and the main rival to the Golf.

The Golf/Astra segment of the European car market accounts for 30.2 per cent of all western European new car sales. Success in this area is vital for every volume car maker, but *for VW it is also vital that the new* generation car is cheaper and easier to build, so that it can bring relief to the high costs of its German manufacturing base.

Volkswagen has taken important strategic steps to profile the safety and environmental features of the car, including its ability to meet US safety regulations, *the toughest in the world*, due to be introduced in the mid-1990s. [redacted] car [redacted] designed [redacted] recycled [redacted]

[redacted] firmly [redacted] the unchallenged [redacted] in [redacted] European [redacted] market, [redacted] Golf, [redacted]ally be produced at six VW plants – Wolfsburg [redacted] Germany, Belgium, Mexico, South Africa and Yugoslavia – can [redacted] no lesser goal.

Mr Tom Mason, [redacted] marketing director [redacted] GM Europe, which is launching [redacted] Opel/Vauxhall Astra admits: "There [redacted] certain product [redacted] for our [redacted] In [redacted] compact segment with the Astra and [redacted] Golf [redacted] end [redacted] betting the farm every time. It is such [redacted] large part of the volume."



Western European car market

1975 MAKER	% SHARE	1985 MAKER	% SHARE	1990 MAKER	% SHARE	1991 1st half MAKER	% SHARE
Fiat	15.7	VW Group	12.9	VW Group	15.4	VW Group	16.7
Renault	12.4	Fiat	12.5	Fiat	14.2	Fiat	13.3
VW Group	11.1	Ford	12.1	Peugeot Group	12.9	GM	12.6
Ford	9.7	Peugeot Group	11.7	GM	11.8	Ford	12.1
GM	8.9	GM	11.5	Ford	11.6	Peugeot Group	11.3
BLMC	6.9	Renault	10.7	Renault	9.9	Renault	9.9
Japanese	5.1	Japanese	9.9	Japanese	11.6	Japanese	12.3
SEAT	3.2	SEAT	1.5	SEAT	2.3	SEAT	2.3

VW Group includes: Volkswagen, Audi, SEAT, Skoda
Fiat Group includes: Fiat, Alfa Romeo, Lancia
GM includes: Opel Vauxhall, Saab
Ford includes: Jaguar
Source: Volkswagen

BOOK REVIEW

Dream street to mean street

WHATEVER HAPPENED TO MADISON AVENUE?
By Martin Mayer
Little, Brown $22.95, [redacted]

There [redacted] a time [redacted] in the late [redacted] when Madison Avenue [redacted] if it [redacted] one [redacted] the [redacted] glamorous [redacted] in Manhattan.

Those were the days when [redacted] skyscrapers were crammed with advertising agencies and when the ad industry was on a roll. Hollywood producers set their mov[redacted] in [redacted] agencies' swanky offices. Academics churned out tome after tome on the pervasive powers of the advertising medium. And Martin Mayer [redacted] a book, Madison [redacted] USA, on [redacted] America had [redacted] advertising capital [redacted]

For his [redacted] book, Whatever Happened to Madison Avenue?, [redacted] went back [redacted] what had happened [redacted] the [redacted] advertising industry in [redacted] intervening three decades.

The picture he paints [redacted] dis*piriting. Madison Avenue* [redacted] different. All but a handful [redacted] agencies have been chased [redacted] to cheaper rentals in downtown Manhattan. [redacted] days [redacted] only Hollywood [redacted] in [redacted] agencies tend [redacted] satires. And [redacted] of the academic [redacted] advertising [redacted] penned by busi[redacted] school professors opining on the industry's [redacted]

The US advertising industry [redacted] shrunk in [redacted] and [redacted] It [redacted] also been preyed upon by avari[redacted] UK [redacted]panies [redacted] Saatchi [redacted] WPP Group [redacted] own [redacted] of [redacted] most prestigious [redacted] advertising.

Perhaps [redacted] poignant testimony [redacted] plight [redacted] Association [redacted] American Advertising Agencies, the [redacted] body, ran a publicity campaign [redacted] study [redacted] advertising [redacted] by [redacted] Ogilvy Cen[redacted] research organisation in [redacted] Francisco. A [redacted] later [redacted] Ogilvy Centre was [redacted] of [redacted] financial problems [redacted] WPP, [redacted] parent [redacted]

Mayer offers [redacted] thorough analysis [redacted] for [redacted] advertising agencies' plight. The fragmentation [redacted] US media; the growing [redacted] retail sector; [redacted] crippling legacy of the leveraged buy-outs that swept across US industry in [redacted] and the growth of alternative forms [redacted] promotion, such [redacted] marketing, are all cited as contributors [redacted]

The future looks even worse. Mayer [redacted] a gloomy [redacted]nario in which the industry will [redacted] *only still be struggling* with the [redacted] problems that [redacted] it in the 1980s but will [redacted] of [redacted] for the 1990s.

Some younger [redacted] companies, notably The Gap fashion group, [redacted] by [redacted] organise their own advertising. Meanwhile, retailers are exerting even [redacted] influence over marketing. Mr Mayer [redacted] promotion – everything [redacted] commercials [redacted] *supermarket muzak* [redacted] 'Videocart' shopping trolleys that relay commercials [redacted] – [redacted] fast-growing medium.

In short, [redacted] US agencies [redacted] which advertising is no longer the dominant marketing medium. [redacted] logical solution [redacted] them [redacted] adapt by providing the [redacted] promotion which will absorb more and more [redacted] the marketing budget.

The problem [redacted] that [redacted] Mayer, [redacted] chairman [redacted] in [redacted] book, [redacted] how [redacted] it.

Whatever Happened [redacted] Madison Avenue? [redacted] filled with accounts [redacted] misty-eyed [redacted] executives reminiscing about the good [redacted] days [redacted] advertis[redacted] was *a fun business, when* they [redacted] directly [redacted] presidents, [redacted] junior marketing [redacted] they [redacted] today.

[redacted] they [redacted] is demonstrate [redacted] they are [redacted]able, [redacted] willing, [redacted] industry's problems.

Mayer [redacted] that [redacted] "sort [redacted] who [redacted] advertising in the 1950s" [redacted] "wound up in investment banking in the [redacted]" will return [redacted] advertising, "the realm [redacted] illusion [redacted] legitimate", in the [redacted]

[redacted] will the 'wise guys' [redacted] illusions on [redacted] supermarket shopping trolley?

Alice Rawsthorn

LETTERS

When to bank on a review

From Mr John T G Harris.

Sir, At the height of the *debate recently concerning* the clearing banks' [redacted] to small businesses I wrote to the chancellor of the exchequer outlining an example [redacted]by a client of mine had seen the margin over [redacted] on its borrowings more than double through the apparently [redacted] practice [redacted] *charging overdrafts* using [redacted] In brief, my client [redacted] previously charged at 2 per [redacted] and Lloyds [redacted] proposed [redacted] amend [redacted] 1.3 per cent [redacted] month – with base rate at 11 per cent. Simple mathematics shows the inequity of this conversion.

May I hasten to add that my client's security was no less secure than was previously the case.

A Treasury release on banks' lending practices suggests that there is a shortcoming in the government's approach to this matter. It would appear that Mr Lamont, the chancellor, has held face-to-face meetings with the chairman of the four major *clearing banks and asked* them if they are overcharging their small business customers. It is only human nature to suppose that they said they were not. From my reading of the document there has been no actual government check on whether or not this is really the case.

So has this review really achieved what it set out to do? I know for a fact that various points the bank has put to the chancellor are incorrect. I wonder if the chancellor is aware of this.

John Harris,
Oak Cottage,
Cottesbrooke,
Northamptonshire

The Soviet Union, the west and business

From Mr E Whitley.

Sir, Your leading article ("Next steps and Moscow", August 27) setting out various conditions to be met before "a prompt and imaginative response will be in order" from the west to the crisis in the Soviet Union, omits one crucial element. Any such [redacted] must be dependent upon, first, removal [redacted] all [redacted] from foreign soil, and, second, proper compliance with the [redacted] of *arms reductions* already agreed, [redacted] rectification of the cheating whereby [redacted] have [redacted] transferred from the army [redacted]

To [redacted] solely on clarifying control [redacted] the [redacted] nuclear arsenal, without addressing [redacted] now, while the country is in a supplicant position, [redacted] problem for [redacted] future.

Fortunately, Mr Bush is displaying caution, but with a general election approaching British politicians [redacted] all parties are falling over themselves to [redacted] Mr Major, in his [redacted] deliberations, would [redacted] well to recall that, over the years, the Russians have proved adept [redacted] using [redacted] west's butter [redacted] make their guns.

Edward Whitley,
Churton Lodge,
Pulverbatch,
Shrewsbury

From Mr James Hutchings and Mr Peter Davis.

Sir, During last week's coup we [redacted] both in the Soviet Union; not in Moscow, but [redacted] miles [redacted] in the central Asian republic of Kirghizia. We had been invited to explore opportunities for [redacted] and [redacted] by [redacted]ish companies.

We found a republic [redacted] establish links with foreign [redacted] with probably the most liberal foreign trade legislation, along [redacted] Federation and Kazakhstan, in [redacted] Soviet Union. Kirghizia [redacted] a population [redacted] 5m b[redacted] geographical [redacted] Germany. [redacted] untapped mineral deposits, [redacted] with much potential [redacted]tive tourist development, and [redacted] well-educated, but low-wage work[redacted]

[redacted] found that [redacted] companies from [redacted] Korea, Japan, the US [redacted] other coun[redacted] busy establishing [redacted] and [redacted] in Kirghizia, the chairman of the Foreign Economic Relations Committee there could not recall a single contact with any British business organisation or company.

Here is a country looking for foreign investment, on the verge of wholesale privatisation, and which has fond memories of Britain.

We hope that the British are *still able to take risks and* explore new markets such as this, rather than perpetuating the usual pattern of watching their competitors steal a lead and complaining that government is failing to support British business.

James Hutchings,
Peter Davis,
Anglo East-European
Trading Co,
Vigilant House,
120 Wilton Road,
London SW1

Hypocrisy and problem of age discrimination

[redacted] Mr Daniel Vulliamy.

Sir, The Department [redacted] Employment [redacted] recently [redacted] urging employers [redacted] criminatory [redacted] respect [redacted] in *their employment practices.* [redacted] learn that [redacted] department's [redacted] staff are "unhelpful, [redacted] and dismissive" [redacted] job seekers ("Jobcentres accused of [redacted]" August 14).

It [redacted] frankly hypocritical [redacted] government [redacted] bemoan continued [redacted] discrimination by employers when [redacted] practises [redacted] itself and [redacted] it [redacted] just removed the only legal [redacted] against some [redacted] of [redacted] *discrimination* in employment.

The 1972 Industrial Relations Code of Practice contained a clause requiring management to ensure its employment policies in respect of recruitment, terms and conditions, training, promotion and dismissal were not influenced by conditions relating to [redacted] or other [redacted] factors, except where directly [redacted] job.

Codes of practice [redacted] not [redacted] law, [redacted] in law. [redacted] was that the [redacted] code could be [redacted] win unfair [redacted] where selection for redundancy was based on age, but not to challenge age discrimination in recruitment or promotion [redacted] is [redacted] *framework legislation.* [redacted] than strengthening legal restrictions on [redacted] discrimina[redacted] in employment, [redacted] government revoked [redacted] code in June of this year. As [redacted] result, [redacted] only [redacted] age discrimination which can be challenged [redacted] which amount to sex discrimination (for [redacted] the imposition of [redacted] in [redacted] which exclude [redacted] career [redacted] raise children; [redacted] discriminatory retirement ages).

The final irony was that the government justified abandoning the code on the ground that it was "obsolete" and an "anachronism".

Daniel Vulliamy,
Department of Adult Education,
University of Hull

Fax service
LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Unemployed not sign of labour market flexibility

From Mr Chris Dillow.

Sir, James Barty (Letters, August 23) is wrong [redacted] claim that the number [redacted] unemployed people finding work is a sign of labour market flexibility. Although 20 per cent more people left the unemployment register in July this year than a year ago, this increase may not have been due to more people finding work; indeed, given that (recorded) vacancies have continued [redacted] fall, this is unlikely.

Instead, they could have joined a training scheme, withdrawn their claim [redacted] crackdown *on benefit* fraud, or simply been discour[redacted] by high unemployment from looking [redacted] work.

Even [redacted] *people are find*ing work, this could merely [redacted] evidence [redacted] rather than [redacted] labour market flexibility. [redacted] flexibility Mr Barty has in mind seems [redacted] be increased labour market turnover. Is this really a good *thing? Such* high turnover is characteristic of casual, unskilled jobs. Are these the foundation on which to base a sustainable recovery?

Therefore Mr Barty appears to have drawn a false [redacted]sion from an incorrect premise. This is one of the few ways to find evidence of greater labour market flexibility.

Chris Dillow,
[redacted] *economist,*
Nomura Research Institute Europe,
[redacted]
1 St Martin's-le-Grand,
London EC1

FINANCIAL TIMES
Thursday August 29 1991

Serb and Croat officials seek European support for conflicting territorial claims

Fresh fighting ends Yugoslav ceasefire

By **Laura Silber** in Belgrade, **Robert Mauthner** in Paris and **David Goodhart** in Bonn

THE agreement between the Yugoslav [illegible] army and the breakaway government of Croatia to impose a ceasefire collapsed within hours yesterday after fighting broke out again in the [illegible] town of Vukovar.

The breakdown confirmed a widespread belief [illegible] western diplomats that any implementation of a lasting ceasefire by the Yugoslavs, or mediation by the European Community, is now impossible to enforce.

Croatian radio [illegible] a cameraman from Croatian television was killed in a combined infantry and tank attack launched by the federal army on villages around Vukovar.

The Yugoslav army, for its part, denied [illegible] by [illegible] that its [illegible] had been destroyed by Croat security forces. The [illegible] fighting coincided [illegible] diplomatic effort in European capitals by the Croat and Serb governments, the [illegible] protagonists in the crisis.

In Paris Mr Franjo Tudjman, Croatia's president, said he accepted "in principle" the European Community's offer to send a five-member arbitration mission to Yugoslavia to prevent an extension of the civil war.

According to French officials, the arbitration mission should give priority to a mutually acceptable definition of the frontier between Serbia and Croatia, [illegible] applying [illegible] to a wider solution of the Yugoslav problem. Croatia has repeatedly accused Serbia, backed by the federal army, of carving a Greater Serbia out of Croatian territory.

The [illegible] the Croatian government of discriminating against the 600,000-strong Serb minority, some of whom do not want to live in an independent Croatia.

Croatia and Slovenia [illegible] their independence on June 25, and since then have been attempting to seek international recognition.

Mr Tudjman, who was speaking after a meeting with French president François Mitterrand, [illegible] that Croatia had always supported "Europe's intervention" to help restore peace in Yugoslavia. [illegible] Croatia "has the intention to continue for the liberation of its territory." Almost 20 per cent of Croatia's territory has been [illegible] by Serb nationalists.

Mr [illegible] told Mr Tudjman that, while France did [illegible] object to "the legitimate aspirations" of the Yugoslav peoples, those aspirations should be achieved peacefully.

Mr [illegible] is expected to [illegible] Mr Slobodan Milosevic, the Serbian president, later this week. [illegible] officials [illegible] the French president did not in any way [illegible] to pre-empt the EC's arbitration efforts, [illegible] supported.

In Bonn, Mr [illegible] Jovanovic, Serbia's foreign minister, said the [illegible] of independence by [illegible] the recently convened Conference on Security and Co-operation in Europe (CSCE).

After meeting Mr [illegible] Genscher, the German foreign minister, Mr Jovanovic said [illegible] in the war in Croatia, but was giving only financial and moral support to the Serb minority in Croatia.

"We have no territorial pretensions and no policy of expansion," he said.

Media grip, Page 4;
Editorial Comment, Page 12

Police warning over Tokyo scandal

By **Stefan Wagstyl** in Tokyo

JAPANESE police yesterday delivered an unprecedented formal warning to the banking and securities industries to stop dealing with gangsters.

The National Police Agency urged banks and securities companies [illegible] watchdog organisations to monitor dealings with suspect customers in order to cut off the supply of finance from criminal organisations.

The warning came on the eve of two days of parliamentary hearings in which top representatives of securities companies and banks are to be questioned about recent financial scandals, including contacts with gangster groups.

The scandals have provoked public outrage about the scale of the funds that criminal groups were able to [illegible] for investments in property and in the stock market.

A specific case that has come to light involves Nomura Securities and Nikko Securities, two of the largest stockbroking companies, which lent money through subsidiaries to a company controlled by Mr Susumu Ishii, a former gangster chief. Police are investigating claims that [illegible] used the funds for cornering stock in Tokyu Corporation, a leading railway company.

The police [illegible] letters to the Japan Securities Dealers Association and to the Federation of Bankers Associations of Japan, the principal industry organisations.

The two industries were urged to establish joint committees with the police to study [illegible] for breaking links between large financial institutions and criminal groups.

The industry groups said they would distribute copies of the police letter to their members and consider setting up monitoring [illegible].

In addition, Mr Akira Fukita, chairman of the National Police Safety Commission, a police supervisory committee, [illegible] for a law to permit [illegible] confiscation of the illegal profits of criminal organisations. Gangster groups in Japan operate a range of legal [illegible] – such as property development – and illegal ones, including prostitution and protection rackets.

Meanwhile, the top financiers who are to submit themselves to questioning before the Diet (parliament) have spent the past few days in preparation.

They will keen to [illegible] the impression that their companies recognise their wrongdoing and are determined to make amends. They realise that stonewalling will [illegible] sufficient. However, they want to avoid revealing [illegible] details of the affairs which involve paying stock-loss compensation [illegible] illegal bank loans as well as links with gangsters.

The two who are due to appear today are Mr Setsuya Tabuchi, the former chairman of Nomura, and Mr Takuya Iwasaki, the former president of Nikko. They will be followed tomorrow by Mr Yoh Kurosawa, president of Industrial Bank of Japan, Mr Toru Hashimoto, president of Fuji Bank, and Mr [illegible] Tatsumi, president of Sumitomo Bank.

They follow testimony by public officials such as Mr Yasushi Mieno, the governor of the Bank of Japan, who told the hearing yesterday that inspections last year and in [illegible] failed to [illegible] improper payments by brokers.

Police investigations, Page 5

Yasushi Mieno, [illegible] the Bank of Japan, [illegible] at a parliamentary [illegible] hearing yesterday

India seeks fresh loan from IMF

By **David Housego and Alexander Nicoll** in New Delhi

INDIA is [illegible] from the International Monetary Fund under terms that would include increasingly close IMF monitoring of the country's programme for economic [illegible] and structural reform.

Dr Manmohan Singh, finance minister, disclosed in an interview with the Financial Times yesterday that India would seek a further three-year loan from the IMF under its [illegible] Facility [illegible] in the wake of the \$2bn-\$2.3bn standby [illegible] that is under negotiation.

The IMF board is expected to to give its approval to the standby [illegible] in late September. This would formally release delayed [illegible] and could ease India's acute problems of borrowing in international [illegible].

But Dr Singh [illegible] a [illegible] substantial EFF loan. "There is no doubt in our mind about our going for it." He was responding to queries [illegible] whether the government was having [illegible] thoughts on the political [illegible] a loan that brings the economy under close IMF supervision over the three years. An EFF loan could provide India with \$5bn-\$7bn over three years – but would take a year to negotiate.

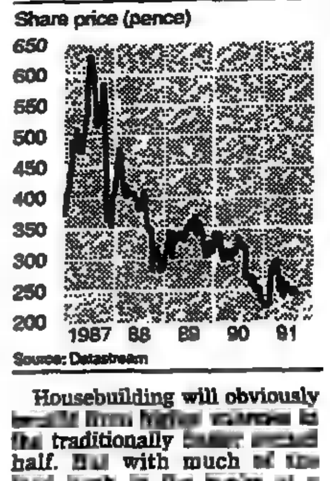
The importance of the EFF borrowing is that it provides some guarantee to aid donor [illegible] India would carry through the structural [illegible] on which it has only just embarked.

Banks sell-off rejected, Page 4

THE LEX COLUMN

Recovering from deregulation

FT-SE Index: 2,624.2 (+4.4)



Source: Datastream

The latest National Institute Economic Review is interesting [illegible] for its economic forecast – which broadly [illegible] week's offering from the CBI – [illegible] for its contribution to [illegible] impact of financial deregulation. This [illegible] sion [illegible] painful, [illegible] article by Mr J R Sargent, not so much because the economy has contracted further than in 1980-81, [illegible] associated with an abnormally high level of insolvencies. These [illegible] product of [illegible] sive borrowing in the late [illegible] in turn [illegible] possible by financial deregulation and fuelled by exaggerated economic expectations.

Whatever one thinks about Mr Sargent's conclusion that deregulation is still on balance beneficial, his analysis does contain [illegible] for investors who are banking on a return to steady, sustained economic growth.

The first is that deregulation has led to heavy reliance on interest rates as a policy tool, [illegible] they are a singularly blunt instrument despite the supposedly stabilising influences of the Exchange Rate Mechanism. That may be a well-rehearsed argument, but it lends [illegible] weight to a second point. The corporate sector has yet to decide on an appropriate debt-to-income ratio for an age of financial deregulation. Gearing would have to be substantially reduced to bring current [illegible] down to previous levels, and that would delay recovery. The upturn would be [illegible] if deregulation turns [illegible] left companies comfortable with higher gearing than before. But the extra debt on their books would leave the economy permanently more vulnerable to recessionary shock.

Alfred McAlpine

Perhaps it really is more fun in the real world. After yesterday's interim figures, though, not everyone will envy Mr Graeme Odgers his move from the number two slot at BT to the hot seat at Alfred McAlpine. A meagre £0.7m profit in the six months to end April, against £5m in the same period last year, underlined the contrast between cosy regulated [illegible] in [illegible] telecommunications and the vagaries of the country's housebuilding and construction industry. It also knocked another 3 per cent off McAlpine's share price as investors realised that recovery might be [illegible] and slower to arrive than they had hoped.

Housebuilding will obviously [illegible] the traditionally [illegible] half. But with much of the [illegible] at a value which implies break-even at current prices, a healthy [illegible] to profits from the division next year is only possible if house prices actually start to rise. Construction margins, meanwhile, are already coming under pressure, although McAlpine's exposure to the public [illegible] vulnerable [illegible]. With earnings per share likely to slip in 1992 as a result [illegible] of the recent rights issue and the 40 per cent minority stake in the housebuilding side, the shares hardly look cheap. The much talked about [illegible] from [illegible] is an implausible prop.

Asea Brown Boveri

Pity the competition. Given that half its markets are in recession, Asea Brown Boveri is in confident mood, forecasting that it expects to match last year's earnings. [illegible] may have [illegible] badly in the downturn, but ABB's geographic reach has made it recession-resistant in aggregate. The electrical engineering group, which combines [illegible] of Sweden and Brown Boveri of Switzerland, increased interim pre-tax profits by 6 per cent to \$520m, thanks mainly to a return [illegible] previously troubled US operations and a German-led jump in European sales.

Admittedly the order book was [illegible] a touch to \$14.5bn, suggesting that the second quarter saw an improved performance from competitors such as Siemens. But the group's [illegible] justified, even though the task of managing such a giant corporation is proving herculean – witness its struggle to improve operating margins and failure to prune working capital. ABB has made a heavy investment in eastern Europe, a strategy [illegible] the potentially high rewards are far from secure. However, that [illegible] is offset by the prospect of growing business from the Pacific region. Power engineering may be on a flat [illegible] for now, but that should change with recovery in Western Europe next year.

All of which is good news for investors in the parent companies, but not for those wanting to buy their way in. As ever, the shares of both parents are on earnings multiples steep enough to reflect ABB's long-term prospects.

Volvo

Volvo's share price has been a strong performer this year on the back of recovery hopes in the group's main car markets, plus expectations that the radical cost cutting programme would quickly drop through to the bottom line. Yesterday's dismal half year results – coupled with the chairman's warning that a third quarter operating profit is unlikely – provided an overdue dose of reality for the optimists. As expected the headline figure is flattered by the sale of the Saga stake; stripping out capital gains and extraordinary items, the real comparison is between profits of more than SKr2bn in 1990 and losses of around SKr400m this time.

Admittedly the news is by no means all bleak. Truck volumes on the back of German, Middle Eastern and Far Eastern demand have held up surprisingly well; a 10 per cent cut in the workforce should have been effected by the end of this year; and [illegible] encouraging performance implies a contribution of around SKr1.5bn to group profits in the second half. [illegible] of this [illegible] the feeling that the shares are [illegible] the game.

Brent Walker

The [illegible] worrying thing about the investigation into Brent Walker's [illegible] by the Serious Fraud Office [illegible] be the degree to which it could undermine the company's fragile restructuring plan. The balance of expectations, reflected in last night's partial recovery of the share price, is that it need not. But it has certainly given recalcitrant [illegible] excuse for prevarication if they care to use it.

US growth figures dent recovery hopes

By **George Graham** in Washington

[illegible] FIGURES [illegible] for the US yesterday damped belief that an economic recovery had begun this spring.

Revised figures from the Commerce Department showed the economy had contracted at an annual rate of 0.1 per cent in the second quarter of the year, reversing the estimate released last month, which had put growth at an annual rate of 0.4 per cent in the quarter.

The new statistics represent the third consecutive quarter of economic decline – although by much less than the falls of 2.8 per cent in the first quarter and of 1.6 per cent in the [illegible] quarter [illegible]. However, economists [illegible] the [illegible] revised figures could lay the foundations for stronger economic activity in the third quarter.

The [illegible] the dollar sharply lower. It closed at DM1.74 in London, down 2 pfennigs on its morning high, and was trading at DM1.7367 [illegible] in New York.

[illegible] the downward [illegible] in the GNP [illegible] by a larger reduction in [illegible] inventories [illegible] estimated. Net imports were [illegible] downwards, while output of producer [illegible] goods [illegible] stronger than thought.

[illegible] ing [illegible] can sustain a reasonably strong recovery or is heading for a "double-dip" [illegible].

While [illegible] economic statistics, such as figures for durable goods orders, have shown strong activity, [illegible] will [illegible] until [illegible] August's unemployment [illegible] deciding if a further easing of monetary policy is [illegible] to help the [illegible] out of recession.

The preliminary GNP figures, to be revised again next month, [illegible] personal consumption spending grew at an annual 2.8 per cent in the second quarter. Non-residential fixed [illegible] at a [illegible] of 1.8 per cent, but [illegible] in producers' [illegible] equipment grew at a rate of 2 per cent.

Currencies, Page 30

Washington cleared deals with Iran, Syria

By **George Graham**

THE US Commerce Department has licensed more than [illegible] of high-technology exports to Iran and Syria [illegible] the last three years. This has taken place despite rules prohibiting the [illegible] of such sensitive equipment to [illegible] countries because of their perceived support for terrorism.

The exports included computers, aircraft parts, compasses and radar equipment which have legitimate civilian [illegible] but which also have a potential military application.

The US has sought to repair its relations with [illegible] countries in recent months. Iran is seen as a key to the release of western hostages held in Lebanon, while Syria played an important role during the Gulf war and [illegible] crucial to prospects for Middle East peace talks.

A Commerce Department official [illegible] to comment on specific export licences, but said all past [illegible] to Iran [illegible] Syria [illegible] consistently [illegible] in accordance with US administration policy.

Many of the items, however, are [illegible] among those with [illegible] military and civilian uses for which licences are normally denied.

Syria has been labelled by the US as a [illegible] supporting international terrorism since 1979, and Iran since 1984. Licences are reviewed to ensure US exports do not "enhance their ability to support [illegible] of international terrorism or [illegible] their military potential."

According to the Associated Press (AP), the Commerce Department granted licences for [illegible] of exports to Iran [illegible] October [illegible] and September [illegible], and for [illegible] to Syria.

Nearly half of [illegible] exports [illegible] of computers, including a [illegible] computer destined for the Iranian interior ministry. The computer was [illegible] census use [illegible] technology export specialists [illegible] critical of the [illegible] of such equipment, which could be [illegible] for police purposes.

A computer was also [illegible] for sale to the Syrian government for "criminal-personal" files, according to AP.

The department [illegible] licensed [illegible] of aircraft parts to Iran, mostly for the repair of Boeing [illegible] aircraft [illegible] by Iran Air but also for the supply of US parts to be included in aircraft built in the Netherlands for Iran.

The US recently [illegible] controversy by refusing an export [illegible] for the sale of British Aerospace aircraft to Iran on the grounds that they contained US-made parts.

Commerce Department officials [illegible] exports including logic analysers, oscilloscopes and personal computers were approved [illegible] the sanctity of existing contracts, while parts for the repair of civilian aircraft were regarded as ensuring public safety.

Cryptographic equipment was licensed because its capability [illegible] to use in [illegible] teller machines, and could not be diverted to military [illegible].

They [illegible] in the same period the department had also rejected or returned without action applications for a further [illegible] of exports to Syria and [illegible] to Iran.

Soviets plan strategy for economy

Continued from Page 1

Russia, however, which has been accused of restoring a new kind of domination over other republics, yesterday undertook damage-limitation measures. It cancelled a decree appointing top Russian Federation officials to temporarily run Gosbank, the Finance and Economy Ministries, as well as Vneshekonombank, which is responsible for most Soviet foreign payments and servicing the \$62bn foreign debt.

It also dispatched a delegation to the Ukraine to soothe passions aroused there by Russian demands for a return of the Crimean peninsula if the Ukrainians left the Soviet Union.

The delegation, led by Mr Alexander Rutskoi, the Russian vice-president, was met by an [illegible] crowd of anti-Yeltsin [illegible] in Kiev, as it [illegible] to see Mr Leonid Kravchuk, [illegible] of the Ukrainian parliament.

In Moscow, Mr Yeltsin [illegible] that [illegible] would be moved out of the [illegible] which has proclaimed [illegible] a nuclear-free zone as well as an independent republic, to the Russian Federation.

In a sign of another possible foreign policy surprise, Mr Georgy Kunadze, [illegible] deputy foreign minister, said Mr Yeltsin intended to speed up negotiations to return the Kurile [illegible] to Japan and normalise relations with Tokyo, a potential donor of [illegible].

WORLDWIDE WEATHER

		°C	°F			°C	[illegible]			°C	°F
[illegible]	S	29	84	Berlin	C	16	61	Caracas	R	29	84
Algiers	S	35	95	Biarritz	S	29	84	Casablanca	F	25	[illegible]
Amsterdam	F	19	66	Bombay	F	29	84	Chicago	S	[illegible]	[illegible]
Athens	F	30	86	Bordeaux	[illegible]	[illegible]	90	Cologne	[illegible]	[illegible]	70
[illegible]	S	36	97	Boulogne	S	23	73	Copenhagen	S	21	70
Bangkok	C	31	88	Brussels	F	22	72	Corfu	S	30	86
Barcelona	[illegible]	29	84	Budapest	F	[illegible]	72	Dallas	S	22	72
Beirut	S	30	86	Buenos Aires	F	[illegible]	63	Dublin	[illegible]	23	73
Belfast	[illegible]	[illegible]	64	Cairo	S	32	90	[illegible]	S	26	79
Belgrade	[illegible]	21	70	Cape Town	C	12	54	Edinburgh	C	17	63

		[illegible]	°F			°C	°F			°C	°F
Faro	S	28	77	[illegible]	C	29	84	[illegible]	[illegible]	26	79
Florence	S	31	88	Istanbul	F	28	[illegible]	[illegible]	S	31	88
[illegible]	S	24	75	Jakarta	[illegible]	32	90	Majorca	S	33	91
Geneva	[illegible]	25	77	Jersey	S	[illegible]	70	Malaga	F	28	82
Gibraltar	F	27	81	Johannesburg	S	25	77	Malta	[illegible]	32	90
Glasgow	C	17	63	Lima	[illegible]	16	[illegible]	[illegible]	S	20	68
Helsinki	T	20	68	Lisbon	F	[illegible]	73	Manila	C	30	86
Hong Kong	F	29	84	London	F	[illegible]	72	Melbourne	S	13	55
Innsbruck	S	22	72	Los Angeles	[illegible]	17	63	Mexico City	R	24	75
[illegible]	S	19	66	Luxembourg	S	23	73	Miami	S	26	79

		°C	°F			°C	°F			°C	°F			°C	°F
Milan		–	–	Nicosia	[illegible]	27	81	Salzburg	F	22	72	Tenerife	S	28	82
Montreal	F	[illegible]	72	Oporto	F	25	[illegible]	San [illegible]	[illegible]	17	63	Tokyo	S	27	81
[illegible]	R	15	59	Oslo	F	19	[illegible]	Seoul	S	[illegible]	[illegible]	Toronto	S	21	70
Munich	[illegible]	22	72	Paris	[illegible]	25	[illegible]	[illegible]	F	30	86	Tunis	S	34	93
Nairobi	F	[illegible]	75	Peking	C	[illegible]	[illegible]	[illegible]	F	15	59	[illegible]	F	34	93
Naples	[illegible]	[illegible]	80	Prague	F	19	66	Strasbourg	S	26	79	Venice	S	25	77
Nassau	[illegible]	32	90	Reykjavik	C	12	54	[illegible]	F	[illegible]	68	Vienna	F	21	70
New Delhi	F	26	79	Rhodes	S	28	82	Taipei	C	30	86	Warsaw	F	18	64
New York	S	26	79	Rio de Janeiro	F	34	93	Tangier	F	26	79	Washington	S	23	73
Nice	F	29	84	Rome	S	30	86	Tel Aviv	F	30	86	Zurich	S	23	73

Temperatures at midday yesterday C–Cloudy [illegible] F–Fair Fg–Fog H–Hail R–Rain [illegible] [illegible] Sn–Snow T–Thunder

FINANCIAL TIMES

COMPANIES & MARKETS

Thursday August 29 1991

INSIDE

Moody's downgrades Salomon debt rating

Moody's Investors Service, the [redacted] York rat[redacted] agency, yesterday lowered its [redacted] of Salomon Brothers' [redacted] in the [redacted] of [redacted] Treasury auction-rigging [redacted] has engulfed the big [redacted] Page 18

ABB increases profits

[redacted] Boveri, Europe's biggest electrical engineering group, lifted profits [redacted] items by 8 per cent [redacted] $520m during the first half of 1991. [redacted] 16

Cathay Pacific drops 21%

Cathay Pacific Airways, [redacted] Hong Kong international air carrier controlled by [redacted] Pacific, reported a 21.7 per [redacted] fall in interim profits [redacted] HK$1.1bn (US$141.8m). Page 17

Twilight for plantations

Mal[redacted]ia's plantation industry [redacted] entering [redacted] twilight years. Even [redacted] country's largest plantation group, and one of its oldest, has joined the rush into property. Page [redacted]

Hambros stake sold for £46m

Banco Bilbao Vizcaya, [redacted] Spanish [redacted], yesterday ended its five-[redacted] relationship with [redacted] by selling a fully-diluted [redacted] of 7.3 per cent in [redacted] London merchant bank for [redacted] ($77.28). Page 16

Elite seeks Mexican banks

Mexico's financial elite is at the point of regaining control of the country's banking system, nine years after having its banks seized by the government. Page 18

Alfred Mc Alpine starts season

Alfred McAlpine yesterday kicked off what is expected [redacted] be the worst-ever results season [redacted] British construction companies by saying halfway pre-tax profits fell to £700,000 from [redacted] ($8.38m). Page 18

Holmes Protection in appeal

The board of Holmes Protection, the [redacted] security and [redacted] company listed in London, [redacted] shareholders to [redacted] its debt-restructuring plan and [redacted] a management coup [redacted] by a [redacted] owning nearly [redacted] per [redacted] equity. Page [redacted]

Wace blemishes its record

[redacted] Group, the UK pre-press [redacted] printing concern, yesterday unveiled the first [redacted] blemish in [redacted] impressive growth record [redacted] it announced a 34 [redacted] fall in interim profits. Page 19

Mersey Docks expands [redacted]

The Mersey [redacted] and Harbour Company increased interim pre-tax profit by [redacted] than 12 [redacted] to [redacted] ($9.17m) [redacted] expanding its services. It provided for losing £700,000 with the [redacted] Commerce International. Page 20

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Hertie	407.5	+	6.5
PWA	269	+	5
Volkswagen Prf	324	+	6
Falls			
DLW	548	–	5
Didier-Werke	179	–	5
Porsche	745	–	10

NEW YORK ($)

Rises			
Bolar Pharmctl	8	+	2½
Latin Amer Inv	28⅞	+	2⅛
Liposome	11	+	1
Smithkline	66⅜	+	1⅜
Telefonos	37½	+	¾
Falls			
Fuqua	10⅝	–	⅞

New York prices as at 12:30.

PARIS (FFr)

Rises			
From C et Aux	2415	+	75
Paris Rescomp	265	+	12.9
Spie Batignolles	510	+	28
UFB Locabail	314.5	+	14.5
Falls			
Fonc Lyonnaise	690	–	38
Schneider	721	–	27

TOKYO (Yen)

Rises			
Chugoku Marine	680	+	47
Dainppn I & C	510	+	35
Hokko Chemical	1160	+	90
Falls			
[redacted] Cons	1010	–	80
Mori Seiki	2070	–	240
Nissan Shatai	550	–	50

LONDON (Pence)

Rises			
Capital Radio	202	+	[redacted]
Cookson	122	+	[redacted]
Costain	143	+	7
Dagian	745	+	17
Euro Disney	1385	+	[redacted]
Fairline Boats	463	+	15
Greenalls	357	+	9
Halma	146	+	9
LOFS	103	+	9
Wates City Lon	[redacted]	+	[redacted]
Falls			
[redacted]	[redacted]	–	21
Bredero Props	59	–	3
[redacted]	20½	–	[redacted]
GRE	181	–	5
McAlpine (A)	245	–	7
Monarch Res	113	–	10
Wace	251	–	[redacted]

Volvo saved from loss by Saga sale

By John Burton in Stockholm

VOLVO, the [redacted] vehicle group, yesterday reported a 68 per cent fall in pre-tax profits to SKr658m ($103.8m) for the first half of 1991. The company was saved from a loss by a profit on the sale last June of an investment in Saga Petroleum, Norway's biggest listed oil company.

The company suffered an operating [redacted] SKr559m [redacted]ing the [redacted] months compared with an operating profit [redacted] SKr1.37bn in the previous corresponding period. During [redacted] 12 months Volvo [redacted] operating [redacted] of SKr1.36bn.

But yesterday's report indi[redacted] Volvo's perf[redacted] improving. Operating losses during the [redacted] quarter were [redacted] against a deficit of [redacted] in [redacted] quarter.

[redacted] shutdown [redacted] a truck plant in Ogden, Utah, contributed SKr200m to the operating loss in the second quarter.

As part of a[redacted]me to dispose of low-yielding [redacted], the carmaker netted SKr1bn in capital gains from the sale of [redacted] shares in Saga Petroleum to Statoil, the state Norwegian oil company. Another 4.6m Saga shares were sold last month.

Mr Lennart Jeansson, head of the car division, is cautious: "The third quarter is traditionally weak, while a recovery of car sales will depend upon whether there is an improvement in the US economy.

"Even if that happens, the market for cars and trucks in the US will remain tough with a consequent squeeze on profits."

Group sales fell 15 per cent to SKr37.9bn, while earnings [redacted] declined by 44 [redacted] cent [redacted] SKr1.15bn.

Car sales fell 12 [redacted] cent to SKr18.7bn, [redacted] Volvo delivering [redacted] against [redacted] a year [redacted].

[redacted] GLT intro[redacted] June had [redacted] expectations, [redacted] Mr Jeansson, [redacted] Volvo planned to start delivering it to the rest of Europe [redacted] this year. Although [redacted] to suf[redacted] losses, [redacted] an improve[redacted] quarter.

[redacted] bus [redacted] fell by [redacted] in the first half to [redacted] and SKr1.7bn [redacted]tively, [redacted] by 5 per cent in the second quarter to [redacted].

The [redacted] division continues [redacted] earnings, with higher profits in the second quarter. Increased demand for trucks in the Middle East, Asia and eastern Europe compensated for a decline in the US [redacted] Europe, except Germany, [redacted] demand is strong. Truck volume in the first half fell from 37,000 to 35,500 vehicles.

Renault half-year profits fall 65%

By Kevin Done, Motor Industry Correspondent

RENAULT, [redacted] French [redacted]-owned carmaker, suffered a [redacted] per cent fall in pre-tax profits in [redacted] half [redacted] year in [redacted] increased competition in [redacted] European car and truck market and falling sales of trucks in the [redacted].

Renault, in which Volvo of Sweden holds a 20 per [redacted] stake, [redacted] pre-tax profits in the first half fell [redacted] FFr962m ($161m) from FFr2.778bn in the corresponding period [redacted].

The company said that "in spite of a difficult commercial environment" turnover for the whole [redacted] 1991 would be higher than a year [redacted]. Renault [redacted] it would achieve a pre-tax profit in the full [redacted] because [redacted] increasing volume of [redacted] in [redacted] second half of [redacted] year".

Group turnover in [redacted] first six months fell [redacted] FFr87.49bn in [redacted] same period a year ago (or [redacted] on a comparable consolidation). The car and van operations [redacted] for [redacted] per cent [redacted] group turnover compared [redacted] 78.9 per cent [redacted], while [redacted] share [redacted] by trucks [redacted] per [redacted] cent.

Group operating income [redacted] first half [redacted] FFr1.52bn was [redacted] per [redacted] than the FFr4.2bn achieved a year ago.

Renault blamed declining [redacted] in [redacted] UK, France [redacted] Spain. [redacted] in all three mar[redacted] plunged in the [redacted] of [redacted].

[redacted] dropped by [redacted] per [redacted] pared [redacted] a fall in [redacted] overall [redacted] 16.6 per cent. Renault's UK [redacted] declined by 21.8 [redacted].

Renault's output [redacted] cars [redacted] an [redacted] 7 per [redacted] in the [redacted] half [redacted] year from [redacted] period a year ago, as the company [redacted] the overall vol[redacted] of [redacted] European markets.

[redacted] car registrations [redacted] all in [redacted] Europe, however, rose by 2.1 per cent to 734,249 thanks [redacted] the strength of its [redacted] in the unified [redacted] mar[redacted]. [redacted] car sales in Germany jumped by 140.9 [redacted] cent [redacted] 137,040 in [redacted] half [redacted] the [redacted] compensated for the sharp declines elsewhere.

Renault [redacted] that [redacted] operating income [redacted] also [redacted] hard by the "severely deteriorating commercial environment in the Euro[redacted] and American [redacted] markets". The turnover [redacted] Mack, its [redacted] heavy truck subsidiary, fell by 30 per cent in a market where overall volume sales also dropped by 30 [redacted].

Next week Coats Viyella publishes its first results since winning Tootal

Unravelling the fate of the thread empire

By Alice Rawsthorn

THROUGHOUT the spring [redacted] early summer, the City of London [redacted] the spectacle of Coats *Viyella* [redacted] *Tootal*, two of Britain's [redacted] textile [redacted], battling in [redacted] acrimonious [redacted].

[redacted] Wednesday [redacted] City of London will observe [redacted] restrained [redacted] Coats publishing its first set of results since it won [redacted] control of Tootal.

[redacted] results, like [redacted] of all [redacted] recession-struck [redacted] companies that have reported recently, will [redacted] riveting reading. Analysts anticipate a [redacted] in pre-tax profits [redacted] in below [redacted] ($83.5m) [redacted] first six months of this year.

But the City is more interested in Coats' future. It is now more than three months since Coats took over Tootal. Already there *have been a stream of staff departures.*

All but one of Tootal's main board directors have left or are about to leave. Coats has also announced a number of factory closures. How is it coping with the integration of Tootal?

Mr Neville Bain, drafted into Coats from Cadbury Schweppes as group chief executive only a few months before the bid, claimed Coats was coping well.

"We did our homework and Tootal has delivered exactly what we expected," he said. "There have been no black holes and no big surprises."

The chief attraction of Tootal for Coats was its sewing thread interests. For decades Coats and Tootal dominated the world thread market. The bid offered an opportunity [redacted] combine their [redacted] global [redacted] some of [redacted] clothing companies [redacted] own.

[redacted] strategy [redacted] interests with [redacted] thereby boosting profitability [redacted] achieving [redacted] scale [redacted] production and by pooling administration [redacted] distribution.

The [redacted] in [redacted] strat[redacted] that, in [redacted] markets, notably the [redacted] and the UK, the combined market share [redacted] so [redacted] customers might switch [redacted] other suppliers [redacted] of their fear that [redacted] could [redacted] dominant position [redacted] dictate [redacted] and raise prices.

Similarly in clothing, Coats ran the risk of losing [redacted] from [redacted] UK retailer [redacted] and Spencer, [redacted] customer, as [redacted] would be supplying [redacted] than 50 [redacted] *of some ranges, notably women's* trousers and men's shirts.

Analysts were also concerned that Coats, which had problems integrating past acquisitions, such as the [redacted] textile empire, did [redacted] the managerial strength [redacted] orchestrate a complex merger with Tootal.

This concern [redacted] only partly allayed by the appointment of Mr Bain, who [redacted] strong on strategy, [redacted] a balance [redacted] Sir David Alliance, Coats's chairman, a renowned deal maker with [redacted] appetite for integration.

If the [redacted] does [redacted] into difficulties, [redacted] would [redacted] in a weak position, particularly in [redacted] production, which is such a highly leveraged [redacted] any disruption would have [redacted] on profits.

So far, said Mr Bain, these fears [redacted] proved unfounded. Coats [redacted] already completed [redacted] integration of the consumer thread companies in the US and Europe by combining administration and sales and by rationalising production.

The integration of the industrial thread interests will take rather longer. Most of the sales teams have merged, except for in the UK, and to a lesser extent the US.

Coats has already announced some cuts in manufacturing capacity and is now considering further rationalisation.

Mr Bain believes it will take another [redacted] to complete the integration, [redacted] that Coats will then achieve annual savings of £10m to £12m.

He is also confident that the eventual loss of share in thread will be less than the 10 per cent *originally expected. In the US, for* example, he claimed that Coats had gained share since the merger.

Coats hopes to minimise loss of sales in clothing by selling some of the Tootal companies. It is also restructuring and rationalising the two groups' overseas sourcing interests to focus on clothing. It [redacted] sell other "peripheral" businesses, such as specialised materials.

The main problems since the merger, according to Mr Bain, have been the thread business in South Korea and Dundee Textiles, a Scottish finishing plant set up as a joint venture between Tootal and two Japanese textile groups, both of which have performed poorly.

Neville Bain, chief executive

COATS VIYELLA

Forecast for year to December

£million

	1991*	1992
Coats Viyella pre-tax profit	105	123
Tootal [redacted]	18	30
Merger (costs) / benefits	(5)	5
Financing [redacted] 12% interest)	(8)	(13)
PRE-TAX	110	145
EPS Fully Diluted	9.4p	15.5p

Source: James Capel

*Includes Tootal for 7 months

On the financial front, analysts estimate Coats' gearing at 40 per [redacted] – or 52 per cent if a convert[redacted] preference issue is defined as [redacted] – at the end of the first half. Gearing should fall to [redacted] 30 per cent – or 42 per cent – by the year-end if disposals go according to plan. In the meantime, Coats, like the rest of the international textile industry, is anxiously awaiting the end of the recession. For it is only then [redacted] Coats will discover whether it was worth fighting the bitter battle [redacted].

Brent Walker board calls in fraud investigators

By Andrew Bolger and Robert Peston in London

THE BRITISH Serious Fraud [redacted] an investigation into the [redacted] of [redacted] yesterday, [redacted] invitation of [redacted] highly [redacted] UK property and leisure group.

Lord Kindersley, new chairman [redacted] Brent Walker, [redacted] that current operations [redacted] the [redacted] were unaffected. He was confident [redacted] the investigations would not [redacted] with the long-delayed refinancing of the group, [redacted] exceeding [redacted] ($2.1bn).

However, [redacted] Brent Walker's [redacted] said they [redacted] more information on the scope of the investigation before they could agree to the refinancing.

"The banks will need to think again about supporting the company", said a director of a big international bank. "At the very least, there is going to be a hiccup".

However, Standard Chartered, which [redacted] banks' [redacted] committee, [redacted] not [redacted] surprised [redacted] was [redacted] in. It remained optimistic [redacted] Walker [redacted] being put into liquidation.

George Walker, [redacted] founder of Brent Walker who was deposed [redacted] at [redacted] May, said last night that he had no idea why the [redacted] asked for an SFO investigation. However, he would [redacted] all [redacted] could [redacted] help the [redacted].

Mr [redacted] a [redacted] despite attempts by [redacted] company's banks [redacted] him. [redacted] hopes [redacted] reasons [redacted] investigation at a board meeting planned [redacted] today.

Brent [redacted] directors [redacted] the decision to call in [redacted] SFO after internal investigations last [redacted] uncovered [redacted] company described as "significant evidence" [redacted] apparent [redacted] officers arrived [redacted] company's office in London's [redacted] End [redacted] 9.30 yesterday morning.

One Brent Walker director said that "something came to light which meant that one had to go to the SFO". The SFO has asked the company not to disclose further details of the enquiry.

One of the company's bankers said Brent Walker had uncovered "specific and tangible" signs of wrongdoing on two or three fronts.

One of these involved the company's dealings with Walker Power, a joint venture between Brent Walker and Power Corporation, the Republic of Ireland-based property developer. But *there is no suggestion that Power* Corporation is implicated in the inquiry.

Brent Walker's network of subsidiary companies, in the UK and overseas, is immensely complicated.

After the [redacted] into financial difficulties at the end of last year, it needed more than six months to draft a reliable statement of its [redacted] condition.

Two Italian stockbrokers collapse

By Haig Simonian in Milan

TWO SMALL Italian stockbrokers yesterday declared insolvency, becoming the [redacted] major [redacted] in [redacted] L100bn ($76.6m) alleged share fraud involving Banque Duménil Leblé (Suisse), [redacted] bank controlled by Mr Carlo De Benedetti.

Studio Adorno of Milan and Studio Montalcini [redacted] Turin [redacted] they [redacted] unable to deliver [redacted] worth L52bn and L18.5bn, respectively, [redacted] tomorrow's scheduled bourse settlement date.

[redacted] insolvencies will trigger [redacted] mechanism whereby their [redacted]mitments will [redacted] assumed by the stockbrokers' commitees at the two bourses. [redacted] is likely that tomorrow's [redacted] will [redacted] be postponed.

The insolvencies follow the discovery by Banq[redacted] Duménil Leblé (Suisse) [redacted] an alleged fraud, involving shares [redacted] around L100bn.

According [redacted] the bank, [redacted] ostensibly put up as collateral against [redacted] part [redacted] an [redacted] by Dominion Trust, [redacted] Turin [redacted] Trust [redacted] not connected [redacted] Canadian [redacted] group [redacted] same [redacted].

Duménil [redacted] possessed [redacted] shares, although [redacted] Development Bank, [redacted] it bought in July, maintained [redacted] clearing relationship with Dominion Trust.

Earlier this week, Swiss magis[redacted] any delivery of [redacted] investigations.

[redacted] brokers are small, although [redacted] Adorno [redacted] some [redacted] clients. Its head, Mr Giovanni Adorno, is known as [redacted] the "characters" of [redacted] Milan [redacted] owing [redacted] often-outrageuos remarks [redacted]tric dress.

[redacted] claims [redacted] recently [redacted] predicting [redacted] imminent demise, but [redacted] not taken seriously.

Brokers were pessimistic about the impact of the affair on Italian equities [redacted] image of the market yesterday, as volume on the bourse plunged to L40bn.

INTERNATIONAL COMPANIES AND FINANCE

BBV sells 7.3% stake in Hambros

By Robert Peston in London

BANCO Bilbao Vizcaya, the Spanish bank, yesterday [illegible] its five-year relationship with Hambros by selling a fully-diluted stake of 7.3 per [illegible] the London merchant bank for £46m ($77.3m)

BBV was [illegible] the founder-members of [illegible] network of foreign partners. Hambros [illegible] the [illegible] by BBV was not damaging to [illegible] building international business through [illegible] network.

The [illegible] were placed with investment institutions by Warburg Securities, the stockbroker. Other [illegible] said the [illegible] institutions [illegible] such [illegible] stake would [illegible] of the speculation that Hambros [illegible] vulnerable [illegible] takeover bid. The [illegible] has been [illegible] for [illegible] months. Another big stake, [illegible] could have been acquired by a predator, was sold in April to investors by Baltica, the Danish insurance group.

Warburg [illegible] ordinary shares for 274p [illegible] 16.7m convertible preference [illegible] for 116.5p each. Hambros shares closed last night unchanged at [illegible].

In [illegible] relationships with foreign banks [illegible] win international business.

It [illegible] particularly [illegible] acquire work advising foreign companies on [illegible] and acquisitions and [illegible] for foreign investors.

One of the founder-members of this group of foreign banks, which Hambros [illegible] work partners, was [illegible] Bilbao. However, [illegible] development [illegible] new business [illegible] junction [illegible] received a setback in early [illegible] when the Spanish bank merged with [illegible] rival, Banco [illegible] Vizcaya, according [illegible] Sir [illegible] Ridley, a Hambros director.

Directors of [illegible] and Vizcaya concentrated on making [illegible] and [illegible] relationship with [illegible] of secondary importance.

By the middle of [illegible] year, both [illegible] and Hambros [illegible] convinced that BBV [illegible] unlikely [illegible] become [illegible] effective contributor to Hambro's international network. BBV had by then started [illegible] contemplate selling the stake, [illegible] a buyer could be found.

Five months ago, [illegible] Mas [illegible] up his position [illegible] BBV's representative on Hambros' board. [illegible] collaboration agreement between [illegible] and BBV was ended.

[illegible] stressed, however, [illegible] committed [illegible] maintaining the [illegible] of its international network. Other [illegible] of [illegible] are Belgium's Kredietbank, Toronto Dominion Securities of Canada, Bayerische Vereinsbank in Germany, Sanpaolo in Italy [illegible] three others.

Procordia ahead 25% halfway

PROCORDIA, [illegible] Swedish pharmaceutical [illegible] food group, [illegible] slightly [illegible] market expectations with [illegible] in profits [illegible] financial items of 25 per [illegible] to SKr2.1bn [illegible] for [illegible] first half [illegible] 1991, writes John Burton in Stockholm.

Operating profits improved 30 per [illegible] to SKr2bn, while [illegible] 7 per [illegible] SKr19.4bn. The group repeated its forecast that earnings for the [illegible] pass its pro [illegible] result [illegible] SKr3.5bn.

Profits fell to SKr2bn [illegible] due to restructuring [illegible] Procordia's takeover [illegible] Pharmacia and Provendor, [illegible] drug [illegible] food [illegible] respectively [illegible] Volvo, the main [illegible] in the enlarged [illegible] with [illegible] state.

Kabi Pharmacia, the therapeutic drug group, had [illegible] per [illegible] in operating profits [illegible] SKr1.1bn, reflecting [illegible] sales increase [illegible] 15 per cent [illegible] SKr4.8bn and a reduction in its workforce.

Pharmacia Biosystems, the biotechnology unit that suffered [illegible] last [illegible], had operating profits [illegible] SKr33m [illegible] costs [illegible] brought under control.

Total operating earnings for the food divisions fell by 7 per cent [illegible] SKr895m, although sales increased [illegible] per [illegible]

Lufthansa slips due to Gulf war

By Andrew Fisher in Frankfurt

LUFTHANSA, the German national airline, yesterday reported a pre-tax loss of DM331m [illegible] half of [illegible] compared with a [illegible] DM3m in the [illegible] period of [illegible] year. However, [illegible] result was a [illegible] improvement on the first quarter, when [illegible] airline [illegible] from the [illegible] of the [illegible].

After a [illegible] in [illegible] January to March period, the airline [illegible] a profit of [illegible] in [illegible] following [illegible] months, reflecting a sharp [illegible] in [illegible] favourable currency trends. Slightly more than half Lufthansa's shares [illegible] state-owned.

Turnover was 11.1 per cent higher [illegible] DM6.6bn; in [illegible] second quarter, turnover advanced by [illegible] per cent. Passenger numbers [illegible] by 8 per cent [illegible] half [illegible] 11.3m, with a [illegible] per cent rise in freight to [illegible] tonnes. The number of flights increased 20 per cent [illegible] 163,626, with staffing up [illegible] per cent [illegible] nearly [illegible] people.

Lufthansa said about half its planned investment of DM3bn this year would be financed [illegible] cash flow. The rest would [illegible] by the proceeds of [illegible] Eurobond issues of DM500m each made in January, [illegible] leasing [illegible] for aircraft.

Incentive to sell seven subsidiaries

INCENTIVE, the Swedish industrial group, [illegible] to sell [illegible] subsidiaries, including [illegible] glassware companies Orre[illegible] Boda, as part of a rationalisation programme, [illegible] John Burton.

The group, which was introduced [illegible] the Stockholm bourse last month after separating from parent company Asea, [illegible] profits in [illegible] half fell by 27 per cent [illegible] on [illegible] of SKr7.2bn ($1.1bn).

The divestment [illegible] subsidiaries, which have a total income of SKr4bn, will [illegible] Incentive [illegible] concentrate on [illegible] core industrial activities, [illegible] tracked vehicles [illegible] the [illegible] Hasselblad.

Proceeds from [illegible] sale [illegible] to buy other industrial companies, mostly outside Sweden, [illegible] Mr [illegible] Lilius, Incentive president.

Sharp reverse at Alfred McAlpine

ALFRED McAlpine yesterday kicked [illegible] what is expected to [illegible] one of the [illegible] results season for British construction companies [illegible] the announcement [illegible] pre-tax profits fell [illegible] ($1.2m) from [illegible] for [illegible] six [illegible] April, [illegible] Andrew Taylor in London.

The company's UK housebuilding division [illegible] a pre-[illegible] loss of £2.7m compared [illegible] a profit of £3m [illegible] the corresponding [illegible] year.

McAlpine's share price slipped 7p [illegible] 245p in London after the company said it would [illegible] to dip into [illegible] maintain [illegible] interim dividend of 4.5p. Earnings per [illegible] slipped from 6.4p [illegible] 2.8p.

Mr Graeme Odgers, chief executive, [illegible] construction sector [illegible] in a severe recession. Company profits would remain flat for at least another 18 months.

But profits this year [illegible] expected to be ahead of the £9.2m for the year [illegible] October 1990 as the company did not expect to make further provisions for potential housebuilding losses. Last [illegible] wrote [illegible] the value [illegible] housing [illegible] by [illegible]

US contracting [illegible] profits [illegible] from £1.3m [illegible] £392,000. [illegible] UK [illegible] profits rose from £440,000 to £1.3m.

Lex, [illegible] 14

Results at Hoesch plunge in first half

By Christopher [illegible] in Bonn

FIRST-HALF profits [illegible] the Dortmund-based [illegible] engineering [illegible] DM140m [illegible] from [illegible] in the [illegible]

[illegible] sales, down by DM230m [illegible] DM8.02bn, [illegible] by [illegible] for the [illegible] from recently-purchased [illegible]

Overseas turnover [illegible] domestic [illegible] dropped 11 per [illegible] to DM1.77bn and orders were [illegible] 7 per [illegible]

The [illegible] a "satisfactory" [illegible] for the [illegible] despite [illegible] and continuing [illegible] in the [illegible] western markets.

Increasing labour [illegible] raw material prices, [illegible] exchange rates, had all [illegible] setback.

Capital investment of DM579m in [illegible] the [illegible] group is planning to [illegible] spending in 1991 [illegible] DM900m.

Restructuring [illegible] by the [illegible] Mr Detlev Rohwedder, is expected [illegible] control of Mr Kajo Neukirchen, [illegible] took over as chief executive [illegible] month.

Mr Neukirchen [illegible] turning round the Klöckner-Humboldt-[illegible] engineering [illegible]

[illegible] Nobel, [illegible] German conglomerate, yesterday reported a [illegible] per cent rise in pre-tax profits for [illegible] six months of 1991.

Strong performances by [illegible] heating, plastics [illegible] aircraft components divisions more than offset [illegible] steel and technical products busin[illegible]

[illegible] were DM216m, compared with DM175m a year earlier, on turnover down [illegible] per [illegible] at [illegible]

Sales of heating products increased [illegible] 40 per [illegible] and [illegible] in [illegible] components and plastics [illegible] 29 [illegible] cent [illegible] 13 [illegible] respectively.

Two stockbrokers collapse following share fraud claim

By Haig Simonian in Milan

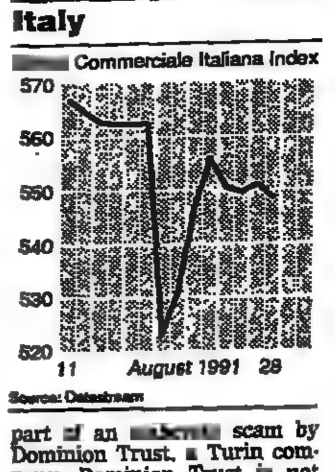
TWO SMALL Italian stockbrokers yesterday declared themselves insolvent, becoming the first [illegible] casualties in the L100bn ($76m) alleged share fraud involving Banque Dumenil Leble (Suisse), the [illegible] bank controlled by [illegible] Carlo De Benedetti.

[illegible] Adorno, of Milan, and Studio Montalcini, [illegible] Turin, said they [illegible] unable [illegible] deliver [illegible] worth L52bn [illegible] L18.5bn respectively [illegible] tomorrow's scheduled bourse settlement [illegible]

The insolvencies [illegible] trigger a mechanism whereby their commitments will [illegible] assumed by [illegible] stockbrokers' commit[illegible] two bourses. [illegible] likely [illegible] Friday's settle[illegible] will be postponed.

The insolvencies [illegible] discovery by Banque Dumenil Leble (Suisse) of [illegible] alleged fraud, involving shares worth about [illegible]

According [illegible] bank, the shares, ostensibly put up [illegible] collateral against loans, [illegible]



Source: Datastream

part [illegible] an [illegible] scam by Dominion Trust, a Turin company. Dominion Trust [illegible] not connected with the [illegible] financial services group [illegible]

Dumenil Leble maintains [illegible] it [illegible] possessed [illegible] although [illegible] Development Bank, which [illegible] bought [illegible] July, maintained a clearing relationship with Dominion Trust. This week, Swiss magis[illegible] froze any delivery of [illegible] pending further investigations.

Both brokers are small, although Studio Adorno has some [illegible] clients. Its head, Mr Giovanni Adorno, [illegible] known [illegible] of [illegible] "characters" [illegible] the Milan bourse owing to his [illegible] controversial remarks and eccentric [illegible]

Under Italian stock [illegible] rules, [illegible] commitments will now be assumed by brokers' committees, which will set [illegible] average prices for the [illegible] brokers' trades. Any profit between the [illegible] price and the original trading price will go to the committee, while [illegible] will [illegible] borne by other [illegible] which they traded.

Brokers [illegible] pessimistic about [illegible] repercussions of [illegible] affair [illegible] Italian equities [illegible] market, [illegible] volume on [illegible] Milan bourse plunged yesterday [illegible] L40bn.

Life insurance side lifts Aegon

By [illegible] Brown in Amsterdam

AEGON, the second largest insurance group [illegible] Netherlands, yesterday reported a [illegible] per cent [illegible] profits for [illegible] half [illegible] Fl 416.9m ($212m) compared with Fl 357m in the year-ago period.

Aegon said total [illegible] advanced [illegible] Fl 6.99bn from Fl 6.44bn, an [illegible] per [illegible] rise. Operating [illegible] climbed 13.5 per cent [illegible] Fl 336.4m from Fl 296.4m.

A strong performance in [illegible] in the US and the Netherlands, and fewer damage claims, contributed to the improved result.

Most parts of the business enlarged market share. Gains [illegible] equities [illegible] climbed Fl 20m [illegible] Fl 81m during [illegible] period.

Due [illegible] economic conditions in [illegible] US, Aegon [illegible] a provision of Fl 20m to [illegible] potential [illegible] from [illegible] mortgage portfolios, but North [illegible] revenues were up overall.

[illegible] from newly-acquired units in the UK (Regency) and Belgium (Precam) are included in Aegon's [illegible] results for [illegible] first time.

The company will pay [illegible] dividend of Fl 2.20, up [illegible] cents. The group repeated [illegible] net earnings will be "moderately" higher [illegible] the [illegible] achieved in 1990.

Mannesmann wins control of Boge

MANNESMANN, the German engineering group, has agreed to buy control of Boge, the German [illegible] components manufacturer, from [illegible] investment consortium [illegible] by Commerzbank, writes Andrew [illegible]

The deal pushes [illegible] a US company which had also shown an interest in buying the group.

Boge [illegible] absorbers, a field in which Fichtel und Sachs, a [illegible]mann subsidiary, is also involved.

Mannesmann [illegible] the proposed acquisition would allow both companies to spread the development [illegible] of vehicle systems [illegible] more products.

By agreeing [illegible] buy [illegible] of Boge, [illegible] a pre-tax loss [illegible] DM7m [illegible] in the first half [illegible] 1991 against a profit [illegible] DM8.5m in [illegible] same period [illegible] year, [illegible] thwarted [illegible] attempt [illegible] Arvin Industries of the US [illegible] control.

Arvin complained last month that it was being blocked [illegible] pursuing a merger proposal with Boge, whose yearly turnover is DM750m, by Commerzbank. With VDO, the German instrument [illegible] maker [illegible] is in talks with [illegible] investors, the German bank [illegible] the stake being bought by Mannesmann.

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Cathay Pacific posts 21% decline

By Angus Foster in Hong Kong

CATHAY Pacific Airways, the Hong Kong international air carrier controlled by Swire Pacific, yesterday announced that interim profits to end-June had fallen 21.7 [illegible] HK$1.1bn (US$141.8m).

The results were well received in Hong Kong, where a bigger decline had been feared, and shares in both Cathay and Swire Pacific closed firmly.

Cathay said passenger load [illegible] fell 6 per [illegible] to 70.6 per cent during the period because of a sharp drop in traffic during the Gulf crisis.

Higher oil prices and price inflation in Hong Kong also affected profits.

Mr David Gledhill, Cathay's chairman, said there were signs of recovery and predicted [illegible] improvement in the [illegible] half. Load factors had recov[illegible] slightly, and cost-cutting measures, including a pay freeze, should ease pressure [illegible] the company's margins, [illegible].

Mr Gledhill said most of the airline's major markets had recovered well after the Gulf war. South-east Asian and North American routes had performed well, but the Japanese market remained depressed. New routes [illegible] London Heathrow and Johannesburg, introduced in May and July respectively, should contribute in [illegible] of the year, he added.

Cathay still hopes to start direct flights to Vietnam later this year, although previous plans have [illegible] delayed several times. The flights depend on agreement between the Hong Kong and Vietnamese governments, and are clouded by political questions such [illegible] the influx of Vietnamese refugees to Hong Kong.

Cathay's cargo and mail services continued to witness rapid growth, and revenues increased 18.3 per cent in the period. Air cargo volumes in Asia have risen sharply in recent years, reflecting the region's strong economic growth.

Turnover increased 5.1 per cent [illegible] HK$9.81bn. Net finance charges fell to HK$118m [illegible] higher interest and investment income.

Cathay is paying an interim dividend of 10.5 cents, unchanged since 1989.

National Semi to take $149m charge

NATIONAL Semiconductor, one of [illegible] Valley's leading microchip makers, said it would take a first-quarter charge of $149.3m to [illegible] the costs of a worldwide restructuring of its manufacturing plants, writes Martin Dickson in New York. The company also [illegible] that its operating results were likely [illegible] be below market expectations.

National, which has been struggling to return [illegible] profitability after two years of disappointing results, said its action had been designed to allow the company to "reshape its manufacturing structure, consolidate under-utilised fabrication plant capacity, while upgrading its continuing operations and improving their utilisation". [illegible] plan would significantly lower [illegible] structure.

Wall Street analysts [illegible] expecting the company [illegible] report earnings per share of [illegible] 1 cent for the quarter [illegible] end-August, compared with net losses of $1.63 a share in the same period of [illegible] year.

[illegible] June, National reported [illegible] quarter net earnings of [illegible] cents a share, compared with 2 [illegible] quarter, and losses of $151m for fiscal 1991 [illegible] revenues [illegible] $1.7bn.

[illegible] Semiconductor [illegible] yesterday it [illegible] closing its Hong Kong manufacturing operation and laying off 160 workers, [illegible] effort [illegible] cut costs and production capacity. The plant, established [illegible] 1969, [illegible] used to assemble [illegible]puter boards.

[illegible] Semiconductor said [illegible] move did not affect its locally [illegible] south-east Asian marketing operation, which employees 180 others, [illegible] 20 employees involved in design work.

Prague unit for Bayerishe Vereinsbank

By Katharine Campbell in Frankfurt

[illegible] Vereinsbank, [illegible] large Bavarian bank, [illegible] setting [illegible] a subsidiary in Prague, making it [illegible] first German banks [illegible] establish a foothold [illegible] Europe.

The [illegible] per cent-owned subsidiary will [illegible] initially [illegible] foreign exchange operations, with the intention of broadening [illegible] lending, one of its staple businesses in the west.

The [illegible] will open for [illegible] during [illegible] quarter of [illegible] with a [illegible] of around 20 and a preliminary capital [illegible] ($10m). BV [illegible] clients along [illegible] German/Czechoslovakian border are building trade [illegible]nections with Czechoslovakia.

The [illegible] also already involved in [illegible] project financings and is bidding on a number of privatisation schemes.

Although [illegible] big German [illegible] are developing a net[illegible] of representative [illegible] across eastern Europe, most have [illegible] yet [illegible] unwilling [illegible] commit themselves further. Dresdner Bank, however, [illegible] a stake in a new operation in Hungary in partnership with Banque Nationale [illegible] Paris and a Hungarian bank.

Czechoslovakia has established a two-tier banking system whereby the functions of the Staatsbank, which previously had a virtual monopoly on all forms of banking business, is [illegible] restricted [illegible]etary control and banking supervision.

Both Prague [illegible] plan to [illegible] a [illegible] exchange next [illegible].

Toyota sees no sign of early recovery as profits tumble

[illegible] Wagstyl in Tokyo

TOYOTA MOTOR, Japan's biggest car-maker, yesterday reported a sharp decline in profits for the [illegible] to June and warned against hopes of a recovery in the current year.

Amid difficult conditions for [illegible] world auto industry, pre[illegible] profits for Toyota's parent [illegible] 21.7 per cent [illegible] Y574.3bn ($4.19bn). Consolidated pre-tax profits [illegible] down 15.3 per [illegible] at Y709.5bn, buoyed by good results [illegible] the US where the company [illegible] enjoyed increased sales of high-margin luxury [illegible] under [illegible] Lexus marque.

Consolidated sales in the year [illegible] 7.2 per cent [illegible] Y9.855bn, and for the parent company by 7.1 per cent [illegible] Y8,564bn. Turnover [illegible] held [illegible] by a marked slow-down in [illegible] Japanese market in the second half. [illegible] of units, [illegible] of vehicles [illegible] just 2.2 per [illegible] from the previous year – with 4.528m sold against 4.429m. The downturn shows signs of continuing in 1991-92.

Toyota said profits [illegible] fallen because of significant increases in cost in [illegible] including research [illegible] development, personnel, capital depreciation and managerial expenses. Exchange losses [illegible] further depressed the result. Analysts added that margins [illegible] suffered from intense competition sparked by the world-wide slowdown [illegible] auto sales.

For 1991-92, Toyota forecast a [illegible] per [illegible] increase [illegible]lidated sales to Y9,000bn and unchanged profits. The company said that while the Japa[illegible] economy was basically sound, there [illegible] "some con[illegible] we may see a business slowdown". The outlook for exports [illegible] uncertain because of "the continuing flat trend of the US economy and the unknown outcome of economic and political turmoil in the U[illegible] and eastern Europe".

Toyota said investment in new plant and equipment would continue. The parent company had spent Y641bn on capital investment last year and intends [illegible] spend Y590bn in the current year.

Toyota's consolidated net income fell 2.2 per [illegible] to Y431.4bn. The company is paying [illegible] unchanged total dividend of Y38 a share.

Mayne Nickless slips to A$105m

By Mark [illegible] in Sydney

MAYNE NICKLESS, the Australian transport [illegible] rity group, [illegible] out [illegible] of the recession, posting a [illegible] profit for the year [illegible] June 30 of A$105.57m (US$82.4m), only 6.5 per [illegible] down on the previous year.

Although group sales were up 11 per cent [illegible] A$2.3bn, tight margins squeezed operating profit before [illegible] and abnormal items, down 10 per cent [illegible] A$149.2m [illegible] the A$166m of [illegible] previous year.

Mayne Nickless's transport businesses [illegible] hit by the recession, with earnings falling 21.5 per cent to A$63.91m [illegible] A$81.44m in [illegible], although [illegible] 8 [illegible] higher [illegible] A$1.4bn.

Its acquisition of transport businesses in [illegible] Netherlands and Spain lifted European operations, with revenues rising [illegible] A$476.15m from A$194m. The hardest-hit [illegible] in the group [illegible] its Australian road express and freight operations and Parceline in the UK.

In line with its offshore push, Mayne Nickless recently agreed [illegible] build a large [illegible]housing and distribution facility in the Netherlands for [illegible] Mars confectionery [illegible].

Mayne Nickless's recent [illegible] into health care also reaped rewards [illegible] the [illegible] in the last year. Revenue from its Health Care Services arm doubled to A$137m.

Directors reduced the final dividend to 17.5 cents, fully franked, or tax free [illegible] the hands of shareholders, from 20 [illegible] last year, making the [illegible] 1991 pay-out 35 cents.

■ France Telecom has [illegible] a 10 per cent stake in Kalori Communications, one of [illegible] contenders [illegible] establish a [illegible]ond telecommunications [illegible]rier in Australia, APDJ reports from Sydney.

Kalori was formed by [illegible] Atlantic and Ameritech Corp, of the US, and Hutchison Whampoa of Hong Kong.

Plumrose buys Venezuelan rival

PLUMROSE, the meat products division of the East Asiatic Company, the big Dan[illegible] trading and transport group, has bought out its biggest competitor [illegible] Venezuela, writes Hilary [illegible] in Copenhagen.

The company, Venezolana Empacadora, was acquired from the [illegible] group. It has an annual [illegible] about Dkr250m ($37m) [illegible] employees.

UPI files for Chapter 11 protection for second time

By Martin Dickson

UNITED Press International, the struggling US news agency, yesterday filed for Chapter 11 bankruptcy protection against its creditors for the second time in seven years – a move [illegible] might help the [illegible] in its [illegible] find a new [illegible].

UPI, founded in 1907, has around [illegible] full-time and [illegible] part-time employees and [illegible] more [illegible] 2,500 newspapers and broadcasting stations around [illegible] world.

Mr Pieter VanBennekom, the chief executive, said UPI's operations [illegible] continue [illegible]mally [illegible] it [illegible] plans for a Chapter 11 reorganisation and dealt with the compensation [illegible] creditors. UPI has around [illegible] in liabilities [illegible] in [illegible].

[illegible] news [illegible] is owned by Infotechnology, a company [illegible] filed [illegible] Chapter 11 bankruptcy earlier this year. The [illegible] proceedings will now be consolidated, [illegible] should allow the reorganisation process [illegible] streamlined.

UPI has been seeking a new [illegible] for the past 10 months and decided not to [illegible] Infotechnology into Chapter 11 earlier this year because it thought such a move might impede a deal, then under discussion, with an international [illegible] consortium. However, UPI has since come round to the view that a reorganisation [illegible] it of past liabilities could make [illegible] a more attractive acquisition target.

The filing was also spurred by [illegible] for payments by the [illegible] of stock which was issued to creditors during the agency's previous spell in Chapter 11, during 1985 and 1986. The holders of this stock have been entitled to demand redemption [illegible] June, threatening UPI with demands for payment which could top $2m.

Mr VanBennekom said it [illegible] considering several reorganisation possibilities, rang[illegible] independent opera[illegible] to [illegible] degrees of outside investment.

Portugal's BPI takes over Banco Fonsecas & Burnay

BANCO Portugués [illegible] Investimento (BPI), Portugal's leading private investment bank, [illegible] won control of Banco [illegible] Burnay (BFB), a medium-sized [illegible]mercial bank which was privatised this week, writes Patrick Blum in Lisbon.

The [illegible] involved a [illegible] representing 80 per cent [illegible] capital. [illegible] paid just above [illegible] ($240m) for the bank at a base price of Es2,200 a share.

It will also underwrite the [illegible] remaining [illegible] per cent of [illegible] which has been [illegible] employees of BFB [illegible] for small Portuguese shareholders.

The acquisition will transform BPI into one of Portugal's leading financial groups.

The consolidated assets of [illegible] two banks, which will retain their separate identities, will be above [illegible]. [illegible] government will receive only Es8bn from [illegible] sale – the remainder being ploughed back into the bank.

SA insurer advances 14.4%

MUTUAL and Federal, the largest short-term insurer in South Africa, [illegible] a 14.4 per cent [illegible] in after-tax profit [illegible] the year [illegible] end-June, writes Philip Gawith in Johannesburg. It [illegible] recorded [illegible] underwriting surplus when [illegible] of [illegible] competitors reported [illegible].

After-tax profits [illegible] to R101m ($35.1m) from [illegible] in 1990. This included a R19m underwriting surplus, only 1.9 per [illegible] the [illegible] premiums [illegible] R1.01bn. In 1990, the surplus [illegible] R11.5m [illegible] earned premiums [illegible] R748.3m. About one-third of the premium growth was the result of the acquisition [illegible] National Employers' General Insurance [illegible] the end [illegible] previous financial year.

Mr Ken Saggers, managing director, said [illegible] underwriting performance was "satisfactory" when viewed against [illegible] economic environment. [illegible] said competition in the commercial and ind[illegible] market remained fierce.

Earnings per share rose [illegible] cents from 190 cents, [illegible] the dividend [illegible] lifted [illegible] from 40 [illegible] a share.

FT/AIBD INTERNATIONAL BOND SERVICE

[illegible] are the latest international bonds for which there is an adequate secondary market. Latest prices at [illegible] pm on August 28

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	102	102		7.14
ALBERTA PROVINCE 9 3/8 95	600	105	105	+	7.83
AUSTRIA 8 1/2 00	400	100	101		8.36
BANK OF TOKYO 8 3/8 96	100	[illegible]	101	+	[illegible]
BELGIUM 9 5/8 98	[illegible]	[illegible]	106	-	8.38
BFCE 7 3/4 97	[illegible]	99	100	+	7.79
BNP 8 5/8 94	[illegible]	103	103	+	7.34
BP CAPITAL 9 5/8 93	150	102	103	-	7.30
CANADA 9 96	1000	105	105	+	7.62
CARCO 9 1/4 96	[illegible]	[illegible]	103	+1	[illegible]
CCCE 9 1/4 95	[illegible]	[illegible]	[illegible]	+	7.51
COUNCIL EUROPE 8 96	[illegible]	[illegible]	[illegible]	-	7.98
CREDIT FONCIER 9 1/2 99	300	106	106		8.33
DENMARK 0 98	250	57	57	+	8.37
DENMARK 8 1/4 96	150	102	103		7.23
ECSC 8 1/4 96	193	101	102	+	7.79
EEC 7 1/4 93	[illegible]	100	100		6.85
EIB 7 3/4 96	[illegible]	100	101	+	7.56
EIB 9 1/4 97	1000	[illegible]	[illegible]	+	8.13
ELEC DE FRANCE 9 98	[illegible]	[illegible]	[illegible]	+	[illegible]
EUROFIMA 9 1/4 96	100	[illegible]	104	-	8.20
EXPORT DEV CORP 9 1/2 98	150	[illegible]	106	+	8.29
FINLAND 7 7/8 97	200	98	99	-	8.21
FINNISH EXPORT 9 3/8 95	200	104	105	-	7.94
FORD MOTOR CREDIT 9 1/2 93	[illegible]	[illegible]	103	-	[illegible]
GEN ELEC CAPITAL 9 3/8 96	[illegible]	[illegible]	105	-	[illegible]
GMAC 9 1/8 96	200	[illegible]	[illegible]		8.38
HALIFAX 9 1/2 93	200	[illegible]	[illegible]		7.27
IBM WORLD TRADE 7 [illegible] 93	150	100	[illegible]	+	7.16
IND BK [illegible] FIN 7 [illegible]	200	98	98	+	[illegible]
INTER AMER DEV 7 5/8 96	[illegible]	99	99	+	7.84
ITALY 8 1/2 94		103	[illegible]		7.30
JAPAN DEV BK 8 94		101	[illegible]	+	[illegible]
KANSAI ELEC PWR 10 96	[illegible]	107	[illegible]		[illegible]
LTCB 8 5/8 93	[illegible]	[illegible]	102		7.32
NEW ZEALAND 8 93	100	101	101		7.21
NIPPON CRED BK 9 3/4 93	150	104	104	+	7.43
NIPPON TEL & TEL 9 3/8 95	200	104	105	-	7.71
NORDIC INV BANK 9 93	200	103	103	+	6.89
ONTARIO HYDRO 11 5/8 94	300	108	[illegible]		7.58
OSTER KONTROLLBANK 8 1/8 93	[illegible]	[illegible]	102	+	6.77
PETRO-CANADA 7 1/4 96	[illegible]	[illegible]	97	+	7.96
[illegible] TY SECS 0 99	365 216	53	53	+	8.88
[illegible] 9 3/4 95	150	105	106	-	8.67
QUEBEC PROV 9 98	[illegible]	101	102		[illegible]
[illegible] RY 9 1/8 96	[illegible]	103	104	+	[illegible]
SAS 10 99	[illegible]	102	[illegible]	+	9.54
SBAB [illegible] 2 95	[illegible]	104	[illegible]	-	7.93
STATE [illegible] STH AUST 9 1/4 93	[illegible]	[illegible]	[illegible]	-	7.22
[illegible] MKT 9 3/8 93	[illegible]	101	[illegible]	+	[illegible]
[illegible]	[illegible]	102	[illegible]	+	7.26
[illegible] EXP [illegible] 93	[illegible]	[illegible]	104		6.93
[illegible] METRO [illegible] 1/4 96	[illegible]	[illegible]	101	+	7.90
WORLD [illegible] 8 3/8 99	1500	101	[illegible]		8.30
WORLD [illegible] 8 3/4 97	1500	104	[illegible]		7.94
XEROX [illegible]	100	[illegible]	99	+	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible] 11 1/8 95	300	101	[illegible]	-	[illegible]
[illegible] BK 8 [illegible] 96	300	[illegible]	[illegible]	+1	13.20
DEUTSCHE BK FIN 5 5/8 96	[illegible]	88	88	+	[illegible]
DEUTSCHE FINANCE 7 1/2 95	[illegible]	96	96	-	[illegible]
EIB 5 [illegible]	[illegible]	85	85	+	[illegible]
[illegible]	300	93	93	+	[illegible]
EUROFIMA 6 1/4 98	400	87	87	-	[illegible]
FERRO DEL STAT 5 3/8 93	500	95	95		9.25
FIRST INTERSTATE 5 3/[illegible]	100	83	83	+	10.51
[illegible] AN FIN 5 5/[illegible]	[illegible]	[illegible]	87	+	[illegible]
[illegible] 3/[illegible]	300	87	87	-	11.26
[illegible] SA INT FIN 5 7/8 98	500	85	[illegible]		8.96
NAT BK HUNGARY 8 96	200	[illegible]	[illegible]	+	[illegible]
QUEBEC HYDRO 6 3/4 99	300	88	[illegible]		[illegible]
SWEDEN 6 1/8 98	[illegible]	[illegible]	87	+	[illegible]
VENEZUELA 8 1/4 93	[illegible]	95	[illegible]	-	10.60
WORLD BANK 0 15	[illegible]	16	[illegible]		7.79
WORLD BANK 5 3/4 96	300	88	88	+	[illegible]
WORLD BANK 7 1/8 95	500	95	95	-	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	[illegible]	97	98	-	[illegible]
AUSTRIA 4 5/8 98	[illegible]	88	89	-	[illegible]
CHUJITSUYA 7 3/4 95	[illegible]				7.23
COUNCIL EUROPE 4 3/4 98	[illegible]	[illegible]	89		[illegible]
EEC 5 1/2 00	[illegible]	90	91		[illegible]
EIB 5 3/4 93	100	[illegible]	[illegible]	-	7.55
ELEC DE FRANCE 7 1/4 06	100				6.91
FINLAND 5 3/8 95	[illegible]	95	96	-	[illegible]
GENERAL MOTORS 7 1/2 95	[illegible]	101	102	-1	7.15
JAPAN DEV BK 5 1/2 94	[illegible]	96	96	-	7.20
KOBE 6 3/8 01	240	[illegible]	98	+	[illegible]
NEW ZEALAND 4 7/8 99	200	88	[illegible]		[illegible]
QUEBEC HYDRO 5 08	100	75	[illegible]	-	[illegible]
WORLD BANK 5 03	[illegible]	84	[illegible]	+	6.95
WORLD BANK 7 01	[illegible]	101	[illegible]		6.72

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	[illegible]	95	96		6.66
CREDIT FONCIER 5 1/4 94	[illegible]	95	96		6.80
DENMARK 7 95	[illegible]	101	101		[illegible]
EIB 4 5/8 94	[illegible]	95	[illegible]		[illegible]
FINLAND 6 3/4 96	[illegible]	[illegible]	100	+	[illegible]
GENERAL ELECTRIC 5 3/4 93	[illegible]	98	[illegible]		[illegible]
INTER AMER DEV 7 1/4 00	30000	104	104	+	[illegible]
KANSAI ELEC PWR 4 5/8 94	60000	95	95	+	[illegible]
NIPPON TEL & TEL 5 7/8 96	50000	97	97	-	6.59
NORWAY 5 1/8 95	50000	[illegible]	95		6.60
SNCF 6 3/4 00	[illegible]	101	101	+	6.55
SWEDEN 5 5/8 95	[illegible]	[illegible]	97	+	[illegible]
WORLD BANK 6 3/4 00	50000	[illegible]	101	+	6.51

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 [illegible] LFr	600	94	95		9.45
KREDIETCORP 7 93 LFr	1000	95	96		9.96
WORLD BANK 8 96 LFr	1000	95	97		9.13
[illegible]	150	94	95		9.80
UNILEVER 9 00 Fl	500	101	[illegible]		8.68
BCE INC 9 5/8 93 C$	300	99	100	+	9.31
BELL CANADA 10 5/8 99 C$	150	100	101	+	10.45
BRITISH COLUMBIA 9 1/4 93 C$	150	99	100		9.54
EIB 10 1/8 98 C$	130	99	[illegible]	+	10.19
ELEC DE FRANCE 9 3/4 99 C$	[illegible]	97	97	+	10.27
FORD CREDIT CANADA 10 94 C$	100	98	99	+	10.50
GENERAL ELECT CAP 10 1/4 93 C$	175	101	101	+	9.61
ONTARIO HYDRO [illegible]	500	[illegible]	102	+	10.53
OSTER KONTROL[illegible] 1/4 99 C$	150	100	100	+	10.22
QUEBEC PROV 10 1/2 98 C$	200	99	100	+	10.53
ROYAL TRUSTCO 10 1/4 93 C$	100	99	100	+	10.43
SWEDEN 9 3/4 93 C$	[illegible]	100	101	+	9.27
BELGIUM 9 1/8 96 Ecu	[illegible]	100	100	+	9.06
CNT 7 3/8 93 Ecu	250	95	96	+	10.08
CREDIT LYONNAIS 9 96 Ecu	125	96	98	-	9.87
DENMARK 7 5/8 96 Ecu	[illegible]	91	93	+	9.90
EEC 7 5/8 94 Ecu	[illegible]	96	96	+	9.34
EIB 10 97 Ecu	1125	104	104	+	8.96
ITALY 10 3/4 00 Ecu	1000	109	109	+	9.18
UNITED KINGDOM 9 1/8 01 Ecu	2750	100	100	+	9.01
BP AMERICA 12 1/4 96 A$	100	103	103		11.28
COMM BK AUSTRALIA 13 3/4 99 A$	100	109	109	-	11.87
COUNCIL EUROPE 13 93 A$	50	101	102	-	12.00
EKSPORTFINANS 12 3/8 95 A$	75	[illegible]	103		11.23
FORD CRED AUST 13 93 A$	50	100	101	-	12.48
MCDONALDS CANADA 15 95 A$	100	108	109	-	11.98
NAT AUSTRALIA BANK 14 3/4 94 A$	150	106	106	-	11.65
STATE BK NSW 14 1/4 99 A$	100	[illegible]	110		12.27
VOLKSWAGEN INTL 15 94 A$	100	[illegible]	107	-	11.91
ABBEY NATL TREAS 13 3/8 95 £	100	106	107	+	10.85
BARCLAYS JERSEY 9 1/2 93 £	250	98	98		10.84
BRITISH GAS 12 3/4 95 £	300	105	105		10.71
DEUTSCHE BK FIN 11 94 £	225	100	101		10.50
EIB 10 97 £	386.5	98	98	+	10.41
FORD CREDIT FUNDING 9 5/8 93 £	50	97	97		11.67
INTER AMER DEV 11 3/8 95 £	75	102	103		10.46
ITALY 10 1/2 14 £	400	96	96	+	10.92
LAND SECS 9 1/2 07 £	200	84	85	+	11.72
LEEDS PERMANENT 9 1/4 93 £	50	97	97		11.09
NORWAY 10 1/2 94 £	200	100	100	+	10.38
ROLLS-ROYCE 9 5/8 93 £	150	97	97		11.33
SAINSBURY 10 7/8 93 £	100	99	100	-	11.08
SKANDINAVISKA ENSK 13 1/8 95 £	100	105	106	+	11.04
WORLD BANK 11 1/4 95 £	[illegible]	[illegible]	102		10.45
ABBEY NATIONAL 0 96 NZ$	100	60	61	+	[illegible]
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	105	106		[illegible]
AIDC 7 7/8 93 FFr	600	96	97		9.65
[illegible] 10 95 FFr	3300	101	101	+	9.60
EURATOM 7 5/8 98 FFr	500	92	92		9.17

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALBERTA P[illegible] 1/32 93	500	100.18	[illegible]	6.5156
ALLIANCE & [illegible] 98 94 £	300	99.49	99.59	11.2050
BANCO ROMA 0 03 01	300	92.00	93.00	[illegible]
BANCO SANTO SPIRITO 93	200	99.54	99.64	[illegible]
BELGIUM 1/16 97 DM	500	100.04	100.14	[illegible]
B[illegible] -0.02 96	350	100.05	100.15	6.1050
BNP 05	300	96.25	97.25	6.3125
BRITANNIA 1/10 96 £	150	[illegible]	[illegible]	11.2250
CCCE 06 ECU	200	[illegible]	[illegible]	9.5938
CITIZENS FED 0.15 96	100	[illegible]	99.80	[illegible]
[illegible]ERZBK O/S FIN 93	200	99.95	[illegible]	[illegible]
DENMARK -1/8 96	1000	99.51	[illegible]	[illegible]
DRESDNER FINANCE 1/32 98 DM	1000	99.93	100.03	[illegible]
ELEC DE FRANCE 1/8 99	[illegible]	[illegible]	100.81	[illegible]
FERRO DEL STAT 94	200	100.45	100.70	[illegible]
HALIFAX 1/10 94 £	200	99.91	99.91	11.1000
[illegible]	500	100.8[illegible]	100.99	6.3750
MITSUI FIN ASIA 1/8 96	100	[illegible]	99.68	7.0000
MORGAN (JP) 1/4 97	250	[illegible]	99.58	6.2500
NAT WEST FIN 3/16 05	400	90.75	92.25	6.5000
[illegible]	500	99.83	99.93	5.7500
[illegible]	300	96.52	[illegible]	6.1250
[illegible]	500	99.92	[illegible]	[illegible]
SOCIETE GENERALE 96	300	[illegible]	[illegible]	6.3125
STATE BK VICTORIA 0.05 99	125	98.70	98.95	[illegible]
UNITED KINGDOM -1/8 96	4000	100.00	[illegible]	5.9375

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.86	[illegible]	117	+9.49
ASDA-MFI 4 3/4 02 £	100	1.64	118	119	
BURTON GROUP 4 3/4 01 £	110	2.38	122	123	
EASTMAN KODAK 6 3/8 01	[illegible]	50.67	99	100	+15.57
GOLD KALGOORLIE 7 1/2 00	65	1.0554	69	70	+39.02
GOODYEAR TIRE 6 7/8 03	150	80	79	[illegible]	+68.16
GRACE (WR) 6 1/4 02	150	42	99	100	+12.29
HANSON 9 1/2 06 £	500	2.5875	99	99	+17.51
HAWLEY 6 02 PREF	400	19.1	78	82	
HILLSDOWN 4 1/2 02 £	150	4.16	113	114	
INTL PAPER 5 3/4 02	200	68	106	107	+4.22
LAND SECS 6 3/4 02 £	84	6.72	[illegible]	87	+12.22
MITSUBISHI BK 1 3/4 02	[illegible]	2727.1	[illegible]	109	-0.92
OGDEN 6 02		39.077	[illegible]	71	[illegible]
PACIFIC DUNLOP 6 3/4 97	75	3.749	[illegible]	107	-0.08
TEXAS INSTRUMENTS 2 3/4 02	300	82	[illegible]	85	
THORN EMI 5 3/4 04 £	103	7.45	116	119	+10.44

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price, the amount issued is in millions of currency units. Chg. day = Change on day

FLOATING RATE [illegible] Coupon [illegible] minimum. Spread = Margin [illegible] six-month [illegible] (three-month [illegible] above mean rate) for US dollars. C.cpn = The current coupon

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond [illegible] recent [illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

Provisional Price for Trading on 28.08.91 | Final Prices for Trading on 21.08.91

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	15.99	17.06	19.79
0100	15.68	17.00	19.82
0130	15.65	15.52	15.52
0200	15.66	17.00	19.83
0230	15.61	15.62	15.62
0300	15.61	15.51	15.51
0330	15.61	15.51	15.51
0400	15.61	15.61	15.51
0430	15.65	15.61	15.51
0500	15.66	15.52	15.52
0530	15.65	15.48	15.49
0600	15.68	15.51	15.51
0630	15.96	15.54	15.54
0700	15.69	20.57	23.47
0730	18.47	20.67	23.45
0800	19.03	17.16	19.97
0830	19.36	18.12	20.92
0900	22.76	18.26	21.08
0930	26.20	23.80	26.42
1000	26.29	29.05	32.05
1030	26.20	29.09	32.12
1100	22.86	21.41	24.28
1130	23.02	21.41	24.28
1200	25.09	21.41	24.28
1230	24.96	21.41	24.29
1300	22.70	21.41	24.30
1330	22.30	21.41	24.30
1400	23.17	21.41	24.31
1430	23.16	21.41	24.31
1500	22.41	21.41	24.31
1530	32.41	26.77	29.61
1600	22.43	28.58	31.64
1630	22.47	21.41	24.26
1700	26.63	21.41	24.27
1730	25.60	21.41	24.29
1800	25.56	21.41	24.30
1830	21.51	18.12	20.92
1900	19.25	17.34	20.12
1930	18.69	17.18	19.96
2000	16.11	17.18	19.97
2030	19.86	17.18	19.97
2100	21.51	17.18	19.97
2130	21.51	17.18	19.97
2200	19.85	20.59	23.47
2230	18.20	20.58	23.45
2300	17.85	17.18	19.96
2330	17.65	17.18	19.96
2400	17.85	17.18	19.97

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements [illegible]

INTERNATIONAL CAPITAL MARKETS

Moody's lowers ratings on Salomon

By Patrick Harverson in New York

MOODY'S Investors Service, the New York ratings [redacted] yesterday lowered [redacted] ratings of Salomon Brothers' debt following the Treasury auction-rigging scandal [redacted] has engulfed the big securities house.

The agency's move [redacted]y be the first of several downgrades.

Moody's downgraded its rating of senior debt issued by Salomon, the parent group of the securities firm, from [redacted] A3, and its rating of [redacted] group's [redacted] *Prime-1* [redacted] *Prime-2*.

The downgrades, which affect [redacted] long-term securi[redacted] *are likely* [redacted] *increase the* amount of interest Salomon will [redacted] raising money on the capital markets.

The lowering [redacted] commercial [redacted] ratings [redacted] force [redacted] US money market funds [redacted] stop investing in Salo[redacted].

Tighter regulations introduced by the Securities and Exchange Commission (SEC) earlier this year have made the funds reluctant to invest in commercial paper that [redacted] carry top ratings from the [redacted] agencies.

Salomon said yesterday [redacted] downgrades would not have a significant impact [redacted] the firm's overall liquidity, but admitted they might marginally raise [redacted] cost [redacted] borrowing.

Moody's [redacted] ratings *due to concern* [redacted] "the possible legal, financial and busi[redacted] consequences arising *from recent revelations of* wrongdoing related to Salomon's [redacted] Treasury [redacted]."

It [redacted] that [redacted] *greatest* concern would be [redacted] nature of any criminal charges that might [redacted] brought against [redacted] firm and [redacted] judicial and regulatory sanctions that might [redacted] imposed.

Salomon [redacted] been under investigation by [redacted] SEC, [redacted] York [redacted] Exchange, [redacted] Treasury department [redacted] the [redacted] division of [redacted] Jus[redacted] Department [redacted] this month when [redacted] forging [redacted] and breaking Treasury rules in recent [redacted] government securities.

Among [redacted] disciplinary actions that [redacted] be [redacted] against [redacted] are [redacted] levying [redacted] multi-million [redacted] and a possible suspension or [redacted] *participating* in future Treasury auctions. The firm [redacted] facing [redacted] civil [redacted] who allege they [redacted] defrauded by Salomon's illegal activities, [redacted] possible [redacted]nal prosecution [redacted] government agencies.

Salomon's earnings [redacted] likely [redacted] by [redacted] scandal. [redacted] already [redacted] temporarily barred by [redacted] gov[redacted] from bidding in Trea[redacted] on [redacted] of [redacted]tomers, and several large public pension [redacted] and [redacted] suspended dealings [redacted] firm.

The [redacted] in Salo[redacted] persuaded *Moody's* [redacted] ratings [redacted] review, [redacted] further downgrades are possible. *However,* [redacted] *the* [redacted] credit standing [redacted] still supported by [redacted] professional financial management, adequate capital and healthy liquidity.

Moody's [redacted] big ratings agency to downgrade Salomon. Both Standard & Poor's and Duff & Phelps have also said they might downgrade the firm's debt.

UK bank launches deal in Ecu market

TWO deals were launched in *the Ecu bond market* yesterday, but both struggled under the pressure of aggressive pricing, *writes Tracy Corrigan.*

Abbey National, the UK bank, launched an Ecu150m five-year deal *and* Aerospatiale, the French aerospace company, brought an Ecu100m deal, both via Nomura International. Both have a maturity of five years [redacted] are priced to yield 9.30 per cent.

The Ecu market has started to recover after a period in the doldrums, but dealers said demand was still too thin for [redacted]-priced deals to be [redacted]. Underwriters of the [redacted] should have [redacted] a yield about 10 to 15 basis points higher.

Mr Alex Brown, manager of capital markets at Abbey, described the borrower's foray into the Ecu sector as "a pre-emptive strike."

Abbey was able to take advantage of arbitrage opportunities to swap the proceeds into floating-rate Ecu at a rate below the London interbank offered rate. The debt will be kept in Ecu to match against Ecu assets.

Abbey's French franc deal, which had been postponed due to volatile market conditions, emerged yesterday to a reasonably positive reception. The deal will provide funds for Fico France, Abbey's French mortgage subsidiary. The deal was swapped into floating rate French francs at the Paris interbank offered rate (Pibor flat).

In the equity warrants market Mori Seiki, a Japanese machine tool manufacturer postponed two deals after its share price fell Y190 to Y2,120 following reports in Japan that its half-year results were likely to show a worsening performance. The deals, a $150m issue via Yamaichi International and a DM100m deal via Yamaichi Bank Deutschland, could be launched [redacted] are more likely to be postponed until the share price stabilises.

INTERNATIONAL BONDS

Treasuries firm on weak GNP data

By [redacted] **Harverson** in New York and **Sara Webb** in London

[redacted] prices firmed across the [redacted] yesterday morning [redacted] the [redacted] weaker-than-expected [redacted] national product figures. *Trading was light,* with many market participants on holiday.

[redacted] *midday,* [redacted] benchmark 30-year government [redacted] up [redacted] 100⅔, yielding [redacted] per [redacted]. The two-year [redacted] was [redacted] firmer, [redacted] 100, yielding 6.35[redacted] per [redacted].

Buying was tri[redacted] by the report [redacted] GNP fell 0.1 [redacted] in [redacted] second quarter, [redacted] from [redacted] per [redacted] rise. Analysts [redacted] not expected a revision.

■ NEWS [redacted] economy [redacted] in [redacted] quarter helped [redacted] European government [redacted] yesterday.

In Germany, [redacted] in gov[redacted] prices was [redacted] helped by better-than-expected German inflation figures.

[redacted] of living in western Germany [redacted] unchanged in August from July, [redacted] a pro[redacted] year-on-year rise [redacted] 4.1 [redacted] In July, [redacted] 4.4 [redacted].

[redacted] new 10-year Unity bund – with [redacted] coupon of [redacted] per [redacted] – [redacted] 102.05 yesterday afternoon, after Tuesday's [redacted] 101.7.

The Liffe bund [redacted] contract opened [redacted] 84.79 [redacted] to [redacted] high [redacted] falling to [redacted] in late [redacted]noon.

■ UK government bonds inched up, although funding worries continued to [redacted] over the market.

The 11¾ [redacted] cent gilt, due [redacted], opened [redacted] 111[redacted] and traded up to 111[redacted]. Traders expect the Bank of England to announce further issues of medium [redacted] long-dated gilts in the next two weeks.

■ THE rally in the US Treasury bond market helped to lift Jap[redacted] government bond prices in London trading yesterday, following [redacted] dull session in Tokyo.

The yield on the No 129 JGB opened and closed at 6.455 per cent, after moving in a range of 6.44 to 6.465 per cent in Tokyo. In London trading the yield moved to 6.4375 per cent as JGBs rallied.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	[redacted] Date	Price	Change	Yield	[redacted] ago	[redacted] ago
AUSTRALIA		12.000	11/01	[redacted]	[redacted]	10.64	10.63	10.92
BELGIUM		9.000	06/01	[redacted]	[redacted]	[redacted]	[redacted]	9.49
CANADA *		[redacted]	[redacted]	[redacted]	[redacted]	9.70	9.72	9.93
DENMARK		9.000	[redacted]	[redacted]	[redacted]	9.26	9.29	9.45
FRANCE	STAN	[redacted]	[redacted]	[redacted]	+0.198	[redacted]	[redacted]	9.34
	OAT	[redacted]	01/01	[redacted]	[redacted]	8.97	9.09	9.24
GERMANY		[redacted]	[redacted]	[redacted]	[redacted]	8.44	[redacted]	8.57
ITALY		12.500	[redacted]	97.7600	+0.240	[redacted]	[redacted]	12.45
[redacted]	No 119	4.800	[redacted]	[redacted]	[redacted]	6.80	[redacted]	[redacted]
	No 129	[redacted]	03/00	[redacted]	+0.110	[redacted]	[redacted]	[redacted]
NETHERLANDS		8.500	[redacted]	[redacted]	[redacted]	8.77	[redacted]	8.90
SPAIN		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	12.10
UK GILTS		10.000	11/96	100-00	[redacted]	[redacted]	9.99	[redacted]
		10.000	02/01	[redacted]	[redacted]	[redacted]	9.98	10.17
		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	9.78	9.94
US TREASURY *		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	7.81	8.19
		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	8.39

[redacted] closing, [redacted] Prices: US, UK in 32nds, others in decimal. Yields: Local market standard. Technical Data/ATLAS Price Sources

Telebras plans $200m Eurobond issue

By Tracy Corrigan and Victoria Griffith

TELEBRAS, Brazil's state-owned telecommunications group, plans to [redacted] offering of five-year Eurobonds [redacted] month – [redacted] in the [redacted].

Merrill Lynch [redacted] won the [redacted] issue, which is expected [redacted] carry [redacted] 10 [redacted] cent coupon.

[redacted] Banco [redacted] do Desenvolvimento Economico e Social, Brazil's development Bank, [redacted] just completed [redacted] refinancing [redacted] through [redacted] issue of five-year Eurobonds with an [redacted] life of [redacted].

Merrill Lynch placed $90m [redacted] the bonds, which were priced to yield 11.66 [redacted] while Bank [redacted] America took [redacted] remaining portion of [redacted] issue, in exchange for existing debt.

Last week, a new proposal [redacted] on the restructuring of [redacted] bank [redacted] an enthusiastic response from [redacted] bankers, boosting hopes [redacted] agreement [redacted] be [redacted].

[redacted], already largely discounted by the market, would [redacted] boost [redacted] perception of [redacted] credit and facilitate access to the international capital markets by [redacted] borrowers.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	[redacted]	Fees	Book runner
US DOLLARS						
[redacted] Motor [redacted] Co.(a)†	200	[redacted]	101.15	[redacted]	[redacted]	CSFB
[redacted] Inc.§	80	(5-5¼)	83	2001	2½/1½	Goldman Sachs
ECUs						
Abbey Nat.Treasury [redacted]	150	9¼	101⅜	[redacted]	1⅞/1.775	[redacted]
Aerospatiale(a)†	100	9¼	101⅜	[redacted]	[redacted]	Nomura Int.
FRENCH FRANCS						
Abbey Nat.Treasury Serv.(a)†	1bn	9⅜	100.74	[redacted]	1⅜	[redacted]
SWEDISH KRONOR						
Volkswagen Int.Fin.NV(a)†	300	10½	100⅛	[redacted]	1⅞/1¼	Deutsche Bk Cap.Mkts.

☆☆Private placement. §Convertible. ¶With equity [redacted] terms. [redacted]

Cash returns to Mexico's coffers

Damian Fraser *on the gradual privatisation of the country's banks*

MEXICO'S [redacted] the point of regaining control [redacted] the country's banking system, nine years after having their banks seized by *Mexico's government.*

The bank privatisations [redacted] steeped in symbolism. In September [redacted], the then *president, Mr Jose Lopez Portillo, national*[redacted] the banks just after his government had [redacted] of foreign *debt* [redacted] *all dollar-held deposits.*

The [redacted] was [redacted] to halt flight [redacted] capital to the US – *but, in fact,* [redacted] *lead to* billions leaving [redacted] country.

In [redacted] reversal, [redacted] that money [redacted] now returned [redacted] Mexico [redacted] buy a chunk [redacted] country's financial system.

From June [redacted] mid-August, [redacted] financiers bought [redacted] state-owned [redacted] for $1.35bn, three to [redacted] value. [redacted] Monday, 800 investors, headed by [redacted] Roberto Hernandez of the brokerage Accival, paid $2.3bn, [redacted] value, for [redacted] controlling [redacted] per [redacted] in Banamex, Mexico's largest bank.

By [redacted] middle of [redacted] year, all [redacted] formerly [redacted] banks should be sold, [redacted] total that is likely to [redacted] $10bn.

[redacted] businessmen, in stark contrast to [redacted] are remarkably confident. The [redacted] market, at [redacted] point [redacted] crashing in 1981, has [redacted] in value in the [redacted] 12 [redacted] at [redacted] lowest for a [redacted].

[redacted] in [redacted] first half [redacted] this [redacted] in 23.1 [redacted] cent, while the [redacted] by 4.[redacted] per cent.

Unlike [redacted] bank [redacted] were mainly rich industrialists, [redacted] of [redacted] bank purchasers have [redacted] brokerages [redacted] buy [redacted] and form integrated financial groups. Many are convinced of *the supposed* [redacted] of putting a [redacted] brokerage under one roof. [redacted] simply [redacted] being [redacted].

The prospect of continued economic growth [redacted] driven the buying. [redacted] banking system [redacted] still relatively *underdeveloped: it has just one* [redacted] branch per [redacted] people, against one per 6,300 in Portugal. The [redacted] market is *untouched,* [redacted] corporate lending [redacted].

Mr [redacted] Manson, [redacted] First Boston, [redacted] Ministry of [redacted] in [redacted] privatisations, [redacted] financial [redacted] will grow [redacted] Mexico's economy in the [redacted] five years. Costs are also likely to fall since the banking [redacted] overmanned.

Add to this the remarkably rosy views bank investors seem to have of the prospects for [redacted] economy [redacted] the pri[redacted] paid for the banks begin to make sense.

According to a document soliciting investment, Mr Roberto Hernandez's investor group reckons Mexico's inflation will fall to single digit by 1992, the peso will be fixed to the dollar, and economic growth will average 5.5 per cent a year from 1991 to 1995.

Such forecasts are, nevertheless, at the top end of the likely range. Even if the [redacted] by over [redacted] for [redacted], profit margins in [redacted] sector are likely to shrink as competition [redacted] the banks, spurred by [redacted] elimination of trade barriers with *the US, becomes tougher.*

This suggests that despite the opportunities in the coming years, Mexico's banks will be operating in an increasingly competitive environment.

I[redacted] spread between lending [redacted] borrowing [redacted] 6 percentage points, partly [redacted] to [redacted] *expectations* [redacted] *high* [redacted] with [redacted] falling and greater competition [redacted] the banks, [redacted] *spreads* [redacted].

Mr Hernandez, [redacted] suggested [redacted] spreads [redacted] 1.5 per [redacted] by [redacted].

According [redacted] CS [redacted], in Spain, for example, [redacted] spread is [redacted] cent, [redacted] 1.5 [redacted] 2.0 percentage points above [redacted] European [redacted].

As spreads shrink, competition for formerly lucrative areas – such as money market operations, credit cards, and lending to large corporate customers – will intensify and some of the banks may well be forced to merge or fold in the next few years.

This will happen sooner or later, depending largely on how well Mexico's economy does in next few years and how fierce the competition is.

While the big banks such as Banamex – with assets of $26bn and earnings in the past 12 months of $400m – will probably survive and flourish, the smaller regional banks may even now be looking for partners.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses [redacted]	Wed Aug 28 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act [redacted] (25%)	Est. P/E Ratio [redacted]	xd adj. [redacted] to date	Tue Aug 27 Index No.	Fri Aug 23 Index No.	Thu Aug 22 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS [redacted]	858.68	+0.3	9.79	5.63	12.60	23.39	855.94	858.27	857.04	754.95
2 Building [redacted] (24)	1108.02	+0.7	8.31	5.60	15.28	31.82	1100.13	1102.57	1094.88	963.24
[redacted] Contracting, [redacted] (31)	1165.94	+0.2	9.43	6.69	14.00	32.68	1163.46	1164.45	1162.88	1215.78
[redacted] Electricals (11)	2453.96	-0.5	9.75	5.43	13.11	63.95	2465.47	2461.79	2458.20	2054.25
[redacted] Electronics [redacted]	1751.88	-0.2	8.58	5.19	15.03	48.40	1756.26	1757.31	1744.99	1600.44
6 Engineering-Aerospace (8)	410.47	+0.8	16.65	6.11	7.20	12.11	407.34	409.65	412.94	420.11
7 Engineering-General (45)	480.15	+0.1	11.10	5.35	11.05	13.13	479.80	478.81	478.74	412.78
[redacted] and [redacted] Forming [redacted]	451.96	+0.9	14.96	7.81	8.17	17.15	447.71	449.72	449.46	416.61
9 Motors (12)	358.99	+0.6	9.15	6.69	13.47	12.13	356.94	358.41	357.60	304.56
10 Other Industrial Materials (20)	1643.76	+0.3	8.52	4.89	13.79	36.42	1639.21	1646.64	1652.72	1336.96
21 CONSUMER GROUP (188)	1553.30	+0.3	7.42	3.52	16.61	26.76	1548.67	1561.66	1552.60	1176.34
22 Brewers and Distillers (22)	1889.63	+0.3	8.13	3.53	14.99	34.70	1884.04	1898.02	1878.88	1446.26
25 Food Manufacturing (19)	1214.98	+0.2	9.44	4.07	13.08	24.86	1212.91	1219.08	1219.78	997.02
26 Food Retailing (17)	2647.60	+0.6	8.11	3.15	16.12	44.38	2632.27	2673.16	2664.54	2379.68
27 Health and Household (22)	3719.07	+0.5	5.21	2.33	21.88	35.00	3701.21	3739.16	3717.62	2247.78
29 Hotels and Leisure (23)	1360.67	+0.6	8.75	3.07	13.77	35.83	1352.34	1360.51	1359.23	1245.19
30 Media (26)	1488.26	....	7.41	4.77	17.58	38.58	1488.80	1491.95	1474.95	0.00
31 Packaging, Paper & Printing (18)	766.92	-0.1	7.36	4.29	16.43	15.40	767.57	769.32	757.09	523.28
34 Stores (32)	1014.10	+0.1	7.54	3.67	17.31	17.12	1013.25	1023.84	1019.26	784.73
35 Textiles (9)	610.01	-0.6	8.23	5.08	15.09	14.09	613.49	614.71	611.32	423.86
40 OTHER GROUPS (109)	1277.98	+0.1	9.60	5.04	12.99	31.65	1276.91	1283.58	1276.12	1018.11
41 Business Services (12)	1399.93	-0.2	7.71	4.68	16.05	29.77	1402.16	1409.29	1399.07	0.00
42 Chemicals (21)	1477.49	+0.7	6.90	4.88	17.87	45.88	1467.56	1469.73	1456.26	1039.97
43 Conglomerates (10)	1506.32	+0.3	9.88	7.00	12.22	35.14	1501.89	1519.91	1520.20	1414.07
44 Transport (13)	2309.25	-0.2	7.78	4.64	15.94	50.50	2313.41	2317.60	2286.99	1963.93
45 Electricity (16)	1224.75	-0.1	14.30	5.31	8.94	24.04	1225.71	1230.15	1229.72	0.00
46 Telephone Networks (4)	1535.41	-0.5	9.62	3.96	13.61	28.34	1543.35	1555.59	1541.86	1114.97
47 Water (10)	2374.30	+0.4	17.23	6.48	6.42	118.37	2364.95	2379.66	2388.70	1959.88
48 Miscellaneous (23)	[redacted]	+0.7	6.15	[redacted]	21.17	47.89	1929.50	1930.11	1918.40	1512.79
49 INDUSTRIAL GROUP (480)	1296.47	+0.2	8.58	4.42	14.43	28.00	1293.45	1301.56	1295.10	1030.05
51 Oil & Gas (20)	2461.69	-0.4	10.63	5.59	12.41	77.74	2470.55	2486.56	2446.57	2378.37
59 500 SHARE INDEX (500)	1396.19	+0.2	8.84	4.57	14.14	31.95	1393.97	1402.75	1393.82	1140.34
61 FINANCIAL GROUP (92)	832.97	+0.2	-	5.59	-	26.77	831.72	836.06	832.17	708.28
62 Banks (9)	983.92	+0.2	4.33	5.42	43.30	36.83	981.81	990.14	980.77	762.73
65 Insurance (Life) (7)	1596.69	+0.6	-	5.19	-	41.64	1587.25	1589.20	1592.72	1320.05
66 Insurance (Composite) (6)	648.59	-0.5	-	6.77	-	22.61	652.04	654.23	657.35	601.56
67 Insurance (Brokers) (9)	1169.21	+0.4	7.01	5.78	18.66	30.86	1164.94	1168.11	1165.03	849.91
68 Merchant Banks (7)	439.54	+0.2	-	4.77	-	12.16	438.55	436.18	435.74	378.14
69 Property (36)	932.79	+0.1	5.96	4.99	23.89	20.96	931.57	938.90	931.84	942.69
70 Other Financial (18)	261.56	+0.4	10.99	6.93	11.40	7.99	260.42	258.88	256.82	253.82
71 Investment Trusts (69)	1234.05	+0.2	-	3.49	-	22.35	1232.16	1235.41	1234.56	1045.57
99 ALL-SHARE INDEX (661)	1259.10	+0.2	-	4.67	-	30.23	1257.11	1264.73	1257.16	1035.28

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Aug 27	Aug 23	Aug 22	Aug 21	Aug 20	Year ago
FT-SE 100 SHARE INDEX‡	2624.2	+4.4	2630.6	2617.3	2619.8	2640.7	2623.0	2601.9	2554.5	2125.7

FIXED INTEREST

PRICE INDICES	Wed Aug 28	Day's change %	Tue Aug 27	Accrued interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (28)	121.79	+0.04	121.74	2.13	7.71
2 5-15 years (27)	132.52	+0.04	132.46	1.65	9.52
3 Over 15 years (9)	141.96	-0.01	141.98	3.13	7.40
4 Irredeemables (6)	155.73	+0.03	155.69	2.43	8.48
5 All stocks (70)	131.57	+0.04	131.52	1.98	8.81
Index-Linked					
6 Up to 5 years (1)	162.81	-0.05	162.88	0.99	2.72
7 Over 5 years (10)	145.94	+0.14	145.74	0.53	3.15
8 All stocks (11)	147.01	+0.13	146.82	0.55	3.14
9 Debs & Loans (58)	111.66	+0.03	111.63	2.14	7.16

AVERAGE GROSS REDEMPTION YIELDS		Wed Aug 28	Tue Aug 27	Year ago (approx.)
British Government				
1 Low	5 years	8.95	8.95	11.15
2 Coupons	15 years	9.67	9.67	11.15
3 (0%-7¾%)	20 years	9.67	9.67	11.15
4 Medium	5 years	10.02	10.03	12.04
5 Coupons	15 years	9.86	9.86	11.66
6 (8%-10¾%)	20 years	9.81	9.80	11.44
7 High	5 years	10.20	10.20	12.16
8 Coupons	15 years	9.97	9.96	11.93
9 (11%-)	20 years	9.87	9.87	11.76
10 Irredeemables		9.86	9.86	11.27
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.85	3.82	4.69
12 Inflation rate 5%	Over 5 yrs.	4.32	4.33	4.31
13 Inflation rate 10%	Up to 5 yrs.	2.87	2.84	3.53
14 Inflation rate 10%	Over 5 yrs.	4.13	4.14	4.12
15 Debs &	5 years	11.65	11.65	14.20
16 Loans	15 years	11.38	11.38	13.20
17	25 years	11.19	11.19	12.91

‡Opening [redacted] 2617.3; [redacted] am 2623.4; [redacted] am 2630.4; [redacted] 2627.[redacted]; 1 pm 2621.2; 2 pm 2628.7; 2.30 pm 2628.3; [redacted] 2626.1; 4.10 pm 2624.1; (a) 10.40am (b) 8.30am † Flat yield. Highs and [redacted] record, base dates, values and constituent changes are [redacted] in Saturday issues. A list of constituents is available from the Publishers, [redacted] Financial Times, [redacted] One, [redacted] Bridge, [redacted] 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating [redacted] are [redacted] by [redacted] from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	[redacted]
British Funds	25	12	46
Corporations, Dominion and Foreign Bonds	5	2	13
Industrials	314	197	[redacted]
Financial and Properties	117	82	[redacted]
Oils	18	[redacted]	49
Plantations	0	1	[redacted]
Mines	30	25	101
Others	41	47	58
Totals	550	[illegible]	[illegible]

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
100p	F.P.	-	107½p	102½p	[redacted] High Income Zero Div Prf.	107½p	+½
102½p	F.P.		107½p	103p	[redacted] Split Cap Trt Zero Div Prf 10p	107½p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
50	[redacted]	-	16pm	11pm	[redacted] Holographics 5p	11pm	
33	[redacted]	-	1¼pm	1¼pm	Beaverco 5p	1¼pm	
18	[redacted]	-	2pm	1½pm	Benson Group 2.5p	1½pm	
47	[redacted]	-	25½pm	17pm	Blenes Inds. 5p	20pm	
225	[redacted]	-	27pm	22pm	Capital & Counties	23pm	-2
20	[redacted]	-	3pm	2pm	◆Pelican 20p	2pm	
39	[redacted]	-	7pm	4pm	Try Group 10p	7pm	+1

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. ‡ Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ◆ [redacted] securities market. ◆ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings — Aug. 19
- Last Dealings — Sept. 6
- Last Declarations — Nov. 21
- For settlement — Dec. 2

For rate indications see end of London Share Service

Calls in Casket, Crest Nicholson, Douglas (RM), Lep, Next, Pentland, Premier Cons., Richmond Oil & Gas and Tullow Oil. Put in Brent Walker. Put and call in Ferranti.

LONDON TRADED OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Alld Lyons (*579)	[redacted]	[redacted]	94	107	1½	[illegible]	[illegible]
	550	[redacted]	56	72	6	14½	17½
	600	[redacted]	26	43	28½	35	41
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

August 28 Total Contracts 27,752
Calls 17,691 Puts 10,061
FT-SE Index Calls 1,478 Puts 3,588
Euro FT-SE Calls 868 Puts 260
*Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

UK COMPANY NEWS

Wace spoils record with 34% fall

By John Thornhill

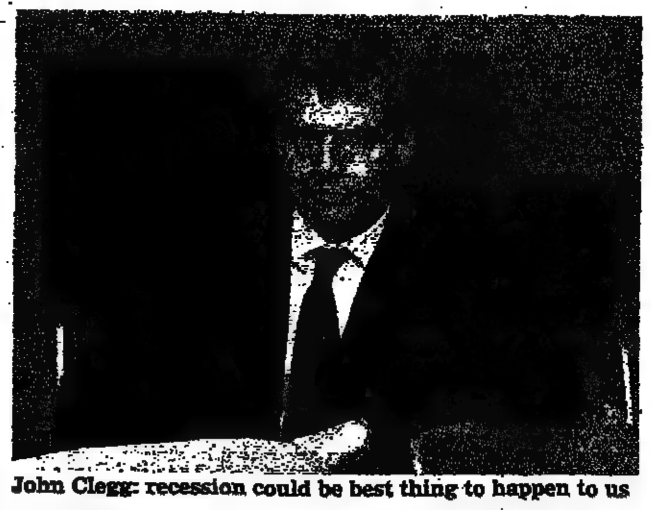
WACE GROUP, the pre-press and printing concern, yesterday unveiled the first serious blemish in its impressive growth record when it announced a 34 per cent fall in interim profits.

That reflected its exposure to the recession-hit advertising market and a sizeable increase in interest charges.

Taxable profits slid from £12.3m to £8.11m in the six months to June 30 in spite of an increase in turnover to £148.3m (£104.2m). Earnings per share fell heavily from 11.9p to 5.6p but the interim dividend is held at 2.25p.

In spite of the profits fall, Mr John Clegg, managing director, was surprisingly upbeat about prospects. He said Wace was in a good position to recover strongly, estimating that 200 of the 900 pre-press companies in the UK had gone out of business during the recession. This gave the group good opportunities to win market share.

"Strategically, I would say that in two years time we will look back on this recession and say it was probably the best thing that ever happened to us. We are an unusual industry. There are no significant major competitors."



John Clegg: recession could be best thing to happen to us

Operating profits fell to £11.5m (£12.1m) but were [illegible] down further by interest [illegible] of [illegible] (£185,000 receivable). This largely resulted from the £9.9m spent on capital expenditure during the half year although this will fall [illegible] in the second half.

Wace spent much of that money reorganising Parkway Group, the rival pre-press company it bought last year. Parkway contributed [illegible] to profits and [illegible] to [illegible].

An extraordinary cost of [illegible] from the [illegible] of [illegible] type-setting operations.

■ COMMENT

The remarkable acquisition-driven expansion of Wace – which has seen it grow from [illegible] nothing to a medium sized public group within the space of five years – has tempted many followers to believe that it is a financial disaster waiting to happen. Comparisons with Saatchi and Saatchi and WPP have inevitably been drawn. But there are several reasons to believe that such a [illegible] will not happen. First, most of the dilutive effects of its [illegible] based acquisitions have already been [illegible]. Second, it has good asset backing to [illegible] the [illegible] price. Third, it has significantly strengthened management [illegible] with the demands of being a [illegible] business. Nevertheless, [illegible] has clearly been running against the company. Analysts were disappointed by this set of figures and somewhat alarmed by the [illegible] of gearing, which rose during the six months from 52 per cent to 86 per cent. Pre-tax profits forecasts for this year have been trimmed to [illegible] giving a prospective multiple of 14, on a share price [illegible] 7p at 251p yesterday. That rating [illegible] high enough, at [illegible] the financial performance reflects the management's brave words.

CMG widens share base prior to its flotation

By Michael Skapinker

CMG, the employee-owned computer services group, has sold a [illegible] per cent [illegible] to Midland Montagu Ventures for £3m as a prelude to a Stock Exchange listing within five years.

One of Europe's largest computer services companies, CMG said it had become too big to operate as a purely employee-owned group. Midland Montagu will buy shares from existing employee shareholders. No new shares will be created.

CMG, which offers consultancy, software development, *business systems and facilities* management, last year achieved pre-tax profits of £7m on sales of £96.2m. Mr Douglas Gorman, chairman, said he expected current year turnover to be about £100m.

The company, which has 1,600 employees, said it hoped to increase the size of its business in Germany before flotation. CMG currently has 10 per cent of its sales in Germany, with the remainder split more or less equally between the Netherlands and the UK.

This is the first time since its formation in 1964 that CMG has sold shares to anyone other than employees and their close relatives. Mr Gorman said he hoped flotation would not result in the company losing its independence. "What we hope to become is a very large European company operating under our own flag," he said.

Holmes Protect seeks approval for debt reduction agreement

By Jane Fuller

THE BOARD of Holmes Protection, the [illegible] security and alarm company listed in London, has appealed to shareholders to back its debt-restructuring plan and to oppose a management coup being attempted by a group owning nearly 27 per cent of the equity.

Mr Tom Mayer, chairman [illegible] last autumn, described a [illegible] agreement with [illegible] on [illegible] to repay $66m (£39.2m) of debt. He said it envisaged a more [illegible] timetable for the [illegible] of [illegible].

The plan included:

■ reducing the interest rate on the [illegible] from 10.72 per cent to 8 per cent;

● [illegible] the *maturity date* for the [illegible] from January 1992 to September [illegible] with principal payments [illegible] ling $25m before then;

■ selling operations outside New York and applying the proceeds to [illegible] debt;

■ converting $15m debt into new equity, giving the [illegible] a 33 per cent holding. At yesterday's closing price of 6¼p, the company's market value was £4.25m.

Mr Mayer said the most valuable [illegible] – the New York operation – would be kept. The remaining business would still have $20m of long-term debt.

He [illegible] the lenders who had made [illegible] loans, had gained as security the company's [illegible] and subsidiaries. "They held the upper hand and they had initially wanted the company to liquidate all its assets."

Shareholders will be asked to support the plan at a special meeting in London on September 24, called by a group of dissident [illegible].

The Investor Group, led by Mr [illegible] Kohn, a former director, and involving Sir Ian MacGregor, has requested an enlargement of the board to include five new directors.

Mr Kohn said the current board had been negotiating from a position of weakness and still had to sell substantial [illegible]. He [illegible] ers as "grabbing" security and said this was the "sting in the tail" of the new plan. The lenders were squeezing out as much cash as possible.

He said his group was supported by Scottish Amicable and AGF, two large insurance groups. Altogether he claimed the holders of at least 48 per cent of the equity were on his group's side. He quoted one institution as saying the management [illegible] should be resolved before a settlement was reached with the lenders.

Bredero plunges into £1.3m loss

By Peggy Hollinger

BREDERO, the property company 49 per cent-owned by Slough Estates, plunged into the red in the first six months of 1991, reporting a taxable deficit of £1.3m against profits of £1m last time.

The weak economy and absence of any immediate recovery continued to have a significant effect on the property industry, the company said.

However Mr Allan Chisholm, managing director, said that "given the state of the market, [illegible] of that size are neither unexpected nor [illegible] particularly bad".

Bredero develops small retail properties, a limited number of shopping centres, and is [illegible] ing on an office, retail and transport complex in Hammersmith, [illegible].

Turnover dropped by 40 per cent to £24.1m.

The trading portfolio, which derives income from the sale of properties, was [illegible] and was responsible for most of the loss. Provisions [illegible] were made to reduce the carrying [illegible] of the group's smaller retail and some residential properties.

However, the group's [illegible] ment portfolio – developments retained as rental properties – [illegible] profits to [illegible] (£633,000). "We are not finding it as difficult to let our centres as others are," Mr Chisholm said.

Net borrowings rose to about [illegible] and off-balance [illegible] at £25m.

[illegible] passed the interim [illegible] on its ordinary shares but will pay 6.12p per preference share for the first time.

Losses per share were 3.9p compared to earnings of 2.3p.

DIVIDENDS ANNOUNCED

	Current payment	[illegible] of [illegible]	Corres - ponding dividend	Total for [illegible]	Total [illegible] year
ATA Selection § ......int	nil	-	1	-	1
Braime (TF & JH) ......int	2.35	Oct 7	1.75	-	[illegible]
Bredero Props ......int	nil	-	1.2	-	2.4
Flextech § ......fin	1.5†	-	1	1.5	1
McAlpine [illegible] ......int	4.5†	Oct 18	4.5	-	10.3
Mersey Docks ......int	2	Nov 1	1.7	-	5
Primadona ......fin	2.5	Oct 8	2.5	[illegible]	[illegible]
TR Euro Growth ......fin	2.5♥	Oct 30	-	-	-
Wace ......int	2.25†	Oct 14	2.25	-	8.25

[illegible] pence per share net [illegible] where otherwise stated. [illegible] by rights and/or [illegible] issues. §USM stock. ♥Includes special [illegible].

Cookson sells Japanese unit for £18.6m

By Roland Rudd

COOKSON, the industrial materials group, yesterday [illegible] the [illegible] of its [illegible] holding in [illegible] Plibrico, Japan, to Asahi Glass, for [illegible] (£18.6m).

The group is also negotiating the sale of its Canadian and Mexican plastic businesses as part of its strategy to dispose of [illegible].

Mr [illegible] Malpas, chairman, said the sale of Plibrico's international businesses would mark the end of the reshaping of Cookson, designed to reduce debt and [illegible] on its long-term [illegible].

Net [illegible] of Cookson's [illegible] Y1.8bn at the [illegible] year.

Proceeds from the sale will help reduce group borrowings to about £200m.

Gearing was recently brought down to about 35 per cent following the £82.8m rights issue in April coupled with further sales. Last autumn [illegible] per cent.

Explaura holders take up 24.5%

[illegible] in Explaura Holdings took up 7.19m shares – 24.5 per cent – in the recent underwr[illegible].

Nearly 22 per cent was taken by [illegible] Europe and it now holds 9 per cent of the capital.

BOARD MEETINGS

TODAY

Interims- Barr & Wallace Arnold Trust, Bridon, Edmond, Friendly Hotels, Guardian Royal Exchange, Ladbroke, Monument Oil & Gas, Murray Intl Trust, Serco, Slough Estates, Williams Hldgs.

Finals- Smith (WH)

FUTURE DATES

Interims-	
Allied Partnership	Sep 30
British-Borneo Petrol	Sep. 5
Burford	Sep. 5
Capara Inds	Sep. 11
City & Commercial Inv	Sep. 6
FKI	Nov. 14
Ferrum	Sep. 10
Herring Son & Daw	Sep. 10
Hogg Group	Sep. 25
Johnston Press	Sep 25
Laird	Sep 6
Mallett	Aug. 30
Matthews (Bernard)	Sep. 12
Parambe	Sep 10
Pickwick	Sep 3
Ransomes	Sep. 16
Robinson Brothers	Sep. 10
Scottish Heritable Trust	Sep. 30
Sherwood Computer	Sep 9
TLS Range	Sep. 10
Tibbett & Britten	Sep. 16
Final-	
Europe Energy	Aug 30

Warning over annual report as losses increase at Richmond Oil

By Peggy Hollinger

[illegible] Oil & Gas, the US [illegible] group quoted in London, yesterday announced a [illegible] increase in pre-tax losses and warned that its annual report would be qualified [illegible] liquidity problem was solved [illegible].

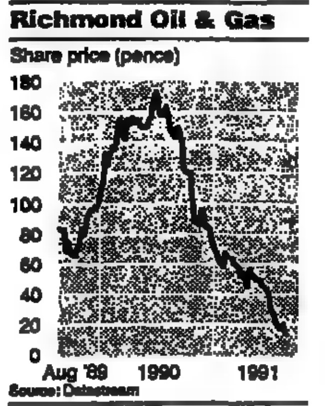
Mr Robert Fox, chairman, said that higher-than-expected costs on the development of oil reserves at Richmond Ranch in Texas [illegible] flow.

He said the group was just maintaining itself on a monthly basis and had [illegible] its exploration programme.

The shares, which have fallen from a peak of 173p in June [illegible] 1p down at 14p.

The group suffered pre-tax losses of [illegible] (£142,000) for the year to March 31 after provisions of £655,000 (£54,000 credit). The auditors had insisted on these provisions for expenditures made on projects which had yet to get a formal go ahead.

Turnover jumped from £607,000 to £7.54m, largely due to the Richmond Ranch buy and increased oil sales during the Gulf war. However, [illegible] demand was offset by increased costs because of much stronger competition for rigs.



The group acquired Richmond Ranch in October for [illegible] cash and assumed [illegible]. Since then it has pursued an active drilling programme, completing [illegible] at a cost of about [illegible].

Mr Fox said the development of Richmond Ranch, which represents about [illegible] per cent of total group revenue, was the main priority and could involve joint [illegible]. "It is our most significant asset."

The group also stepped up development of its coalbed and [illegible] interests in the San Juan basin of Colorado and New Mexico, in advance of selling a stake in the property.

A deal on San Juan is crucial to solving cash flow problems and would result in an unqualified report from auditors. "We had hoped to complete two or three months earlier," Mr Fox said. However, negotiations had been hampered by falling gas prices.

Mr Fox *said the group was in* advanced talks with three potential purchasers. "Ideally, we would like to sell a 75 per cent stake," he said. This could fetch between $15m and [illegible] to £13m).

The group's [illegible] operations in Texas were disappointing, Mr Fox said. Management mistakes had taken a heavy toll on returns. "In terms of the investment we made and the returns we are getting, it is looking miserable." *Mr Fox said the group* would review the [illegible] the next year.

Interest charges jumped from £5,000 to [illegible]. Losses per share was also sharply higher at 1p (0.2p) and there is no dividend.

UK COMPANY NEWS

Mersey Docks up at £5.46m but tax cuts earnings

By Jane Fuller

THE MERSEY Docks and Harbour Company, in which [illegible] government [illegible] a holding of nearly 21 per cent, increased interim pre-tax profit by more than [illegible] per cent to [illegible] after expanding its services [illegible] attracting [illegible] other ports.

However, a 23 per cent tax charge compared with [illegible] in the first half of last year, reduced earnings per share to 6.99p (8.1p). The interim dividend is [illegible] from 1.7p to 2p.

The group also provided, above the line, for losing £700,000 deposited with the Bank of Credit and Commerce International (BCCI), which was shut down by the Bank of England on July 5.

The [illegible] its surplus [illegible] in a range of banks and local authorities. The loss might have [illegible] not for the limit [illegible] placed on the amount put in any one institution.

Turnover rose 7 per cent to [illegible] (£27.4m). The [illegible] tive figure was adjusted downwards by almost [illegible] following placing of the stevedoring of general cargo activities in a joint venture.

Mr Bill Slater, chairman, said the new services [illegible] to the Port of Liverpool following comprehensive reorganisation had [illegible] than offset the adverse [illegible] of the depressed [illegible].

The group's productivity had further improved with the workforce falling from about 1,600 in [illegible] to [illegible] than 1,500.

It had expanded [illegible] recently with the acquisition of the Coastal Container Line to strengthen the port's role in Irish Sea trade. Growth in the handling of imported coal was [illegible] expected.

Property profit fell from [illegible] to £219,000, derived from the sale of luxury flats at East Waterloo Dock. The pre-tax figure benefited from reduced [illegible] payments of £203,000, compared with £342,000.

TR European net assets rise

NET ASSET value of TR European Growth Trust increased to 106.2p at end-June, compared with 100.26p when it was launched last August.

The revenue for the period was £1.2m, for earnings of 3.14p. The board is recommending a final dividend of 1p, plus a special payment of 1.5p.

Revenues were said to have been buoyant, while exceptional income was generated by the sizable cash balances prior to full investment, which has now been achieved.

Invergordon workers shun Whyte and Mackay bid

By Roland Rudd

INVERGORDON Distillers, the scotch whisky producer fighting a [illegible] takeover bid from Whyte and Mackay, yesterday [illegible] workers who [illegible] to make six-figure sums from selling their shares had overwhelmingly rejected the bid.

For each [illegible] employees bought at the time of the management buy-out three years ago, they were subsequently offered 30 free new shares when the company was floated in May 1990. Thus the price they paid averaged 3.3p per share compared to yesterday's closing price of 254p, making some of the employees paper millionaires.

By August 27, the close of the first deadline for offers, Whyte and Mackay, the [illegible] subsidiary of American Brands, [illegible] had acceptances amounting to 20,000 shares, or 0.02 per cent of the capital.

Whyte and Mackay already had 455,000 shares (0.4 per cent), bringing its total to just 0.43 per cent. [illegible] per [illegible] has been extended until September 17.

Mr Chris Greig, chief executive, said: "The appallingly small level of acceptances prove our case that our shareholders, [illegible] of whom are employees, have voted for independence.

"We are not looking for a white knight or posturing over the price. We just want to preserve our independence."

At the time of the buy-out [illegible] shares and [illegible] employees. When the company was floated workers were offered more shares at 135p each.

Mr Edward Pickard, finance director, was given options on 675,000 shares at 4.2p when he joined the company last year. That stake will cost him [illegible] against a current value of £1.7m.

Mr Greig said the options had been offered to persuade him to join the company.

Early move aims to avoid another pot-hole

Andrew Bolger on Brent Walker's decision to call in the Serious Fraud Office

BRENT Walker's long [illegible] rescue took a dangerous twist yesterday with news that the Serious Fraud Office had [illegible] an investigation of the leisure group, which has debts exceeding £1.3bn.

The new directors emphasised that they had invited officers from the SFO and the Metropolitan Police into the group's headquarters at the [illegible] leisure and shopping centre, beside London's Piccadilly Circus.

However, the company would not specify the subject of the investigation, saying only that it did not affect current group operations and was not expected to interfere with the long-delayed refinancing. The proposed deal involves Brent Walker's 47 [illegible] lending [illegible] of [illegible] capital, of which [illegible] has already been advanced.

The decision to call in the SFO was made at a directors' meeting on Tuesday after internal investigations had uncovered what the company described as "significant evidence" of apparent fraud.

An SFO spokesman said it only became involved in an investigation when it had ascertained that there was a "reasonable case" in [illegible]. Each case went to a vetting officer, a senior lawyer, and before it was accepted had to meet at least one of three criteria.

These were that the law or facts were complex, that the money at risk was substantial – at least £5m, and that there was considerable public interest.

Brent Walker emphasised that the events under investigation were largely historical, suggesting that they pre-date the ousting of founder, Mr George Walker, who stepped down as chief executive in May under pressure from the banks.

However, it is believed that the SFO investigation will centre on [illegible] transactions and not widely-publicised allegations that Mr Walker had muddled his private money with that of the company – allegations which he has strenuously denied.

Mr Walker said last month that, far from him exploiting Brent Walker, the company had exploited him and his family. Over the last few years, his family trusts had guaranteed loans totalling £250m made to the company.

Bankers acknowledged then that the group's records were "in a bit of a mess," but that "the banking community does not take it (the mess) seriously." The priority was to get the refinancing sorted out.

A spokesman for the consortium of [illegible] bankers said yesterday that the [illegible] their view of Brent Walker would not be changed by the SFO investigation and the formal agreement to refinance would be signed within [illegible].

Until yesterday's announcement, the company had been hoping to publish its long-delayed annual report at the end of this week, and inform shareholders about the refinancing terms next week.

The package involves swapping £250m of the £970m owed to the banking consortium into equity and taking a large part of the interest payments on remaining debt as equity too. A further £350m is owed to a smaller group of bankers for money lent to buy William Hill, the betting shop chain.

However, the [illegible] banks concerned could not be informed of the SFO inquiry in advance, and there could be a possibility that it will prove the final straw for those who only agreed to support the proposed [illegible] after a great deal of cajoling by the lead banker, Standard Chartered.

George Walker: stepped down as chief executive

Ashley Ashwood

To [illegible] the banks [illegible] persuaded that, rather than put the company into receivership, they would be better to provide support while cash-generating [illegible] is disposed of and the company [illegible] to [illegible] its way out of [illegible] with its cash-generative businesses.

[illegible] this month the company said it aimed to raise [illegible] from its pubs division by selling Cameron's brewery in Hartlepool, leasing pubs and selling surplus land attached to pubs.

Brent Walker had also agreed to swap its half-share in the Trocadero and in the Blackpool Tower Shopping Centre, for a half-share in the 1.3-acre island site adjoining the Trocadero owned by Burton Corporation. Dublin-based property group.

This would have had little overall effect on Brent's balance sheet, crystallising a loss on the properties' book value, but reducing overall debt.

The company could also face difficulties from some holders of the £101.9m convertible bonds issued last November, who include Mr Michael Smurfit, the Irish packaging millionaire, and Mr Tiny Rowland of Lonrho.

A spokesman for the bondholders said their attitude would depend on what the SFO discovered, but some of the inquiry "would certainly not help the situation".

So far, banks and bondholders have been kept in line by the thought that pushing Brent Walker into receivership would gain them nothing and would [illegible] any hopes of a return on the money already committed.

The company's supporters suggested that the new management's decision to call in the SFO would be welcomed by the banks as the sign of a new broom being wielded. But it could yet prove the final straw for [illegible] financiers. The rocky road from ruin [illegible] ever upward.

NEWS DIGEST

Braime surges to £283,000

A LARGE short-term contract for presswork and a surge in US orders for elevator monitoring equipment contributed to an increase in turnover from £2.45m to £3.51m at TF & JH Braime (Holdings) in the [illegible] to June 30.

Taxable profits for this Leeds-based engineering company leapt from £70,000 to £283,000. The A non-voting shares rose 13p to 138p while the ordinary jumped 10p to 335p.

Earnings per share came out at 12.87p (2.92p) and the interim dividend is increased from 1.75p to 2.25p.

IN BRIEF

DARBY GROUP: Shareholders have applied for [illegible] shares, representing 12 per cent, in the placing and open offer of 1.33m shares.

ESTATES & GENERAL has sold its leasehold interest in the Polygon Industrial Estate, in Avonmouth, to Frogeye for nearly £1m. Present rent roll is £124,000 annually.

FOSTER [illegible] has sold land adjacent to its Black Dyke Mills site in Bradford for £1m, which will be used to reduce borrowings.

RUTLAND TRUST has paid £1.1m for a further 5 per cent of Ellis & Buckle, loss adjuster. This takes its holding to 60 per cent.

[illegible] BONDS: The interest rate for this week's issue of local authority bonds is 10¾ per cent, down ⅛ of a percentage point from the last week, which was back in March, and compares with 14¾ per cent a year ago. The bonds are issued at par and are redeemable on September 2 [illegible].

Cairn loss deepens to over £1m

The depressed UK gas market again hit Cairn Energy and interim losses at the Edinburgh-based independent increased from [illegible] to £1.23m.

Due to low prices, US gas sales were cut back and oil revenues from the UK fields were the main factor in the sales rise from [illegible] to [illegible].

Production costs and depletion charge took £6.15m (£2.66m) and a provision of £194,000 was made against the investment in Papua New Guinea. This left an operating loss of £1.18m (£135,000 profit).

At the period end bank debt had increased by £13m to [illegible], including £2.2m due to currency movements on US borrowings. Losses per share rose to [illegible] (2.61p) and there is again no dividend payment.

Bensons completes snack acquisition

As part of its plan to create within the next year a division with annual sales of about £20m, [illegible] Crisps has acquired AK [illegible] of Newbury, Berkshire, for an undisclosed six-figure sum.

AK has sales of more than £6m and has been bought for [illegible].

First quarter sales at Pepe increase 8%

Shareholders in Pepe Group, the USM-quoted jeans designer and distributor, were told by Mr Arun Shah, chairman, that the board was optimistic the performance for the current year would reflect a marked improvement on last year.

He told the annual meeting that sales in the first quarter of the current year were up 8 per cent on last time, in line with expectations. The Spanish and [illegible] markets continued to grow, though the economic climate continued to be difficult in the UK, France and Australia.

In the year to March 31, pre-tax profits fell 54 per cent to £4.8m on turnover ahead 16 per cent at £158.8m. A recent convertible preference issue realised £9.4m and reduced gearing to about 46 per cent.

Primadona asset value picks up

Net asset value of Primadona, an investment trust, was 177p at July 31, an improvement of [illegible] over the value at its year-end – June 1991.

At end-December it had fallen to 153.39p from the [illegible] of six months earlier.

Net revenue over 1990-91 rose from £276,000 to £368,000, for earnings per share of 5p (4.1p). The proposed final dividend is an unchanged 2.5p for a total of 4.5p (4p).

ATA Selection stays in loss at midway

Losses continued at ATA Selection, the financial services and investment group, amounting to [illegible] pre-tax for the first half of 1991.

That compared with a profit of [illegible], which was cut to £41,000 by the end of 1990.

The interim dividend is passed, as was the 1990 final. Losses per share were [illegible] (earnings 0.98p).

Overall turnover fell from £3.24m to £2.69m. In financial services it rose 15 per cent but [illegible] normal charges for bad and doubtful debts reduced profits by 4.5 per cent. Small businesses suffered particularly badly and additional provisions were made against that sector of the portfolio.

ICL wins contracts worth over £11.6m

ICL has won two large personal computer contracts with a value of more than £11m.

In France, three regional banks in the Credit Agricole banking group placed an order for FFr46m (£4.6m) for more than 1,500 PCs. And in the UK, [illegible] has reappointed ICL as its sole supplier of PCs to its UK group business for the second year running. Valued at £7m over the next 12 months, the contract was won against stiff competition.

River & Mercantile Smaller Companies

River & Mercantile Smaller Companies Trust reported net asset value of 105.53p per share at July 31 1991. Net revenue for the period to end-July amounted to £1.2m for earnings of 4.39p per share. A final dividend of 2.5p makes 3.75p; a special distribution of 0.37p is also proposed.

Flextech meets rights forecast with £6.2m

As forecast at the time of the £6.8m rights issue in June, pre-tax profits at Flextech, the USM-quoted oil services and communications group, rose from £4.95m to £6.2m in the year to March 31.

Also in line with the forecast, the dividend is lifted from 1p to 1.5p. Earnings per share were 13.09p (11.2p).

In oil services, almost all divisions of the Expro Group beat the previous year. A solid performance came from the Middle East and the Far East, and from Exal Sampling services in the North Sea.

In communications, the group increased its stake in Starstream, which broadcasts The Children's Channel satellite television channel, from 31 per cent to 51 per cent.

Mr [illegible] Yassukovich, chairman, said Children's Channel would shortly extend its broadcasting hours, enabling it to generate increased advertising revenue particularly in the important early evening period. The trend of Starstream's business was continuing to improve.

The group is also a participating shareholder in CSW, which is bidding for the broadcasting licence currently held by HTV, and has charged to the accounts an exceptional £400,000 against the investment in the application.

BUSINESS LAW

Germany sets the pace on privatisation

By Ian Gaunt

EACH OF THE new central and eastern European democracies has announced plans for far-reaching privatisation of state-owned [illegible] as part of moves towards a free market.

These proposals have reached various stages of implementation, but in no country has the pace of change been as rapid as that in the five new German Länder (states) of Brandenburg, Mecklenburg-Vorpommern, Sachsen, Sachsen-Anhalt and Thuringen.

Since the re-unification of Germany in October last year the Treuhandanstalt, the state-owned trustee company in which the assets of the former German Democratic Republic have been vested, has relentlessly pursued its task of privatising the approximately 8,000 enterprises under its control.

So far, excluding restaurants and small retail outlets, some 2,000 companies have been sold to private enterprise and the Treuhandanstalt is eager to divest itself of the remainder as fast as possible.

In some cases companies or assets have been put out to auction but most have been sold by private negotiation, mostly to purchasers from the "old" federal republic.

It is not surprising that most interest has been shown by German investors – so far no other country has supplied more than 20 purchasers – but there is an increasing degree of interest now being shown by would-be investors from outside Germany.

Investment in this region is seen by many as a bridgehead into the other markets of central and eastern Europe, capitalising on the ties [illegible] by [illegible] German [illegible] with partners in the former Comecon countries to the south and east.

There is also a well-educated labour force and managerial class whose first foreign language is Russian, to some extent the lingua franca of central and eastern Europe.

To encourage investment in the new Länder the federal government has introduced investment incentives, the most important of which are allowances for certain investments, investment grants, accelerated depreciation allowances for investment in most types of capital goods, and term loans with reduced interest rates and guarantees given by institutions including Kreditanstalt fur Wiederaufbau.

Businesses based in the new Länder also benefit from exemption from commercial tax and wealth tax. It is [illegible] estimated that this net effect of such grants and allowances could be to reduce the effective cost of an investment by up to 50 per cent.

The companies which the Treuhand is trying to sell are not without their problems. The restructuring of the economy of the eastern Länder has exposed serious problems of overmanning.

Balance sheets, which have had to be produced for the Treuhand companies for the first time, reveal that many of the enterprises' assets have been greatly overvalued according to the different accounting [illegible] previously employed under the centrally planned "command" system.

Many of the enterprises were restructured as private companies have suffered a serious fall in sales since mid-1990. This has been the result of the difficulties experienced by former customers in Comecon countries in making payment in convertible currency as opposed to [illegible] roubles, and currency reforms which have greatly increased the cost of East German products in international markets.

Also, until now, the preference of consumers in the new Länder for western products in which they were previously denied access, has had a serious impact on sales of consumer goods by [illegible] companies themselves.

The lapse of employment guarantees for much of the workforce of Treuhandanstalt companies on June 30 led to many redundancies among industrial workers. It is clear that widespread cuts will also be needed in agricultural workers. In some areas in the new Länder unemployment may soon exceed 50 per cent of the workforce.

Productive investment has thus become all the more urgent. Such investment may not merely take the form of acquisition of an existing corporate enterprise. In some cases a new venture may offer more attractive potential. In taking over an existing industrial enterprise in the new Länder, investors will have to take at least some risk on the so-called "old burdens" inherited from the socialist system, in particular, the risk of clearing up pollution and potential claims for restitution.

Although the Treuhand is, to some extent, prepared to underwrite pollution liabilities, investors will be required to [illegible] up to 10 per cent of the risk. Although such risks can be clarified by appropriate due diligence enquiries, the lack of environmental controls under the old regime means that it may not be possible to eliminate altogether future liabilities for clearing up pollution or costs associated with installing new equipment to comply with strict federal German and EC environmental regulations.

Another widespread problem is the issue of title to land. In principle the Unification Treaty permitted claims for restitution to be filed by former owners of land in the eastern Länder up to October 13 1990. Claims filed before that date, if accepted by the new administrative tribunals set up to determine them, entitled the claimant to restitution in kind.

This is obviously unsatisfactory from the point of view of an investor. Under provisions contained in the new investment law, if sufficient jobs can be guaranteed by the investment, the purchaser may be able to obtain protection from claims of former owners by the issue of an investment certificate, whereby claims for restitution are by law translated into claims for compensation underwritten by the state.

Nevertheless due diligence enquiries as to title are still necessary and can be extremely difficult, particularly as many of the old pre-socialist records have been destroyed or are difficult to access.

Although the Treuhand does not favour the idea of its continuing to hold an equity share in the enterprise which it is trying to sell, there have been cases where only a majority stake in an enterprise has been privatised leaving the Treuhand as a minority shareholder. This is usually done on the understanding that the remainder of the equity will be privatised in the near future.

In principle the Treuhand can [illegible] steps to modernise or restructure a business for sale but would prefer to leave this to the purchaser. The sale should be based on the full value of the enterprise; the balance sheet should be drawn up according to west German Bilanzgesetz (balance sheet principles).

The Treuhand is also keen to maintain employment so far as practicable and investors may be expected to give guarantees on employment levels consistent with the business plan they submitted to the Treuhand.

Whether an investor decides to take over an existing enterprise or form a new one, obtaining planning consents can also be wearisome – although progress can be expedited by impressing on the leaders of the local commune the likely creation of jobs.

The [illegible] of the federal adoption of the legal and administrative system of the federal republic is certainly a step forward compared with the situation prevailing in the former socialist countries in central and eastern Europe. There is, however, still a serious dearth of judges, lawyers and administrators in the new Länder able to cope with the immediate need to adapt to the new system.

Federal German and EC competition rules now apply. Before the sale of a company the Treuhand is obliged to examine whether the acquisition by the proposed purchaser might violate antitrust rules. However, this examination will not relieve the purchaser of making its own appraisal of the anti-competitive effect of the acquisition for the Treuhand's [illegible] to the sale does not signify approval by the German Cartel office, the Bundeskartellamt, or the EC Commission.

Although foreign investors may lag behind their German counterparts in taking interest in the new Länder and although formidable problems remain, there is no doubt that the eastern part of Germany is one of the most interesting areas for new investment in Europe and for those who dare, given proper advice, the rewards may be substantial.

The author is a partner of international commercial solicitors Sinclair Roche & Temperley.

COMMODITIES [redacted] AGRICULTURE

Yeltsin order sets the gold market guessing

By Kenneth Gooding, Mining Correspondent

GOLD MARKET traders and analysts last night [redacted] desperately trying [redacted] information about the order from Mr Boris Yeltsin, the Russian leader, [redacted] all foreign exchange, precious [redacted] operations be [redacted] only with [redacted] approval of his republic.

There [redacted] no consensus *about how* [redacted] *surprise* [redacted] should be interpreted. One London trader suggested [redacted] Mr Yeltsin [redacted] under great pressure [redacted] bring order [redacted] Soviet finances and the order [redacted] attempt to show that [redacted] had payments [redacted] reserves [redacted] control.

[redacted] *pointed* out, however, that the Soviet Union's [redacted] nomic problems [redacted] greater than [redacted] and added, "I'm [redacted] sure that this eases the pressure for the Soviets to sell or to [redacted] gold in [redacted] *west.*"

Mr Tom Griffo of Cargill Investor Services in New York supported this view. He suggested [redacted] the Russian leader wanted [redacted] establish an "accountability trail" [redacted] where *foreign exchange holdings* wound up when [redacted] Soviet Union [redacted] gold. "You can't say they're going to [redacted] more [redacted] less from the statement. There's not [redacted] whole [redacted] to [redacted] on."

However, [redacted] Andy Smith, analyst [redacted] the Union Bank of Switzerland, while stressing that [redacted] views [redacted] entirely speculative, said that the move was potentially positive for [redacted] gold price. Mr Yeltsin [redacted] had the potential [redacted] shift gold [redacted] the [redacted] show [redacted] Russia intended [redacted] keep to loan agreements [redacted] to show that *the republic would stick to any* undertakings given to the [redacted]nal Monetary Fund.

This would provide an alternative to outright gold sales or the use of gold [redacted] (where the metal [redacted] but with [redacted] promise it would [redacted] bought back [redacted] agreed [redacted] *date).*

Previously the Bank [redacted] Foreign and Economic Affairs, which [redacted] responsible for all the Soviet Union's gold sales, [redacted] held back from shipping large amoun[redacted] of gold [redacted] the [redacted] *collateral* [redacted] *long-term* loans because of perceived opposition from individual republics.

But, with Russian appointees heading the BFEA and the [redacted] bank, Gosbank, Mr Yeltsin [redacted] control over Soviet gold supplies and [redacted] opened up a [redacted] strategic opportunity, [redacted] Mr Smith.

Gosbank officials [redacted] due to [redacted] the IMF in London [redacted] week, the Union Bank [redacted] Switzerland's analyst pointed out. He added: "*What better way* [redacted] *show goodwill* [redacted] the IMF than through [redacted] gold deposit".

Ms Rebecca Tabatabai, [redacted] lyst with Credit [redacted] in Zurich, also suggested the [redacted] might be positive for the mar*ket. "It should keep gold sales* centralised and prevent selling by the individual republics," [redacted] said.

[redacted] New York analysts suggested, however, that the break [redacted] the [redacted] Union would result in more gold being [redacted] to [redacted] west. "It [redacted] certain that the breakaway republics [redacted] but we don't know how much," [redacted] Vahid Fathi of Prescott Ball [redacted] Turben. "But what[redacted] they have would [redacted] up for sale as they try to get on their feet."

While the debate raged, the *gold price remained virtually* unchanged and it closed last night on the London bullion market down 15 cents at US$354.45 a troy ounce.

Comex to launch 5-day options on September 3

[redacted] Barbara Durr in Chicago

THE NEW York Commodity Exchange (Comex), [redacted] world's largest gold market, will begin trading [redacted] five-day options [redacted] gold on 3 September.

The *five-day* [redacted] *is the* shortest-term option listed on any [redacted] exchange and it is aimed [redacted] increasing the appeal of gold options to individual investors.

According to Mr Martin Greenberg, Comex chairman, [redacted] short time-frame of the options and the [redacted] that they [redacted] a fraction [redacted] cost of conventional gold options should have [redacted] individual investors. It will provide them the chance to trade with limited risk but still have [redacted] significant profits.

Commercial participants in *the market are also expected to* [redacted] the contract [redacted] hedge short term exposure to gold. The novel feature [redacted] the new gold options [redacted] that they [redacted] cash-[redacted] expiry based on the price of the underlying futures. They [redacted] be non-exercisable by purchasers.

Twilight time for Malaysian plantations

Lim Siong Hoon examines the decline of the country's leading agricultural sector

D[redacted] THE lucrative years, [redacted] bonus [redacted] four times the salary. Such [redacted] the rewards [redacted] *rubber and palm oil* [redacted] encouraged planters like Mr [redacted] B [redacted] put in [redacted] of work.

"You stay in [redacted] boom years," he says. But [redacted] years are becoming increasingly *infrequent.*

Planters testify to [redacted] *peaks in the markets' cycles* are becoming shorter-lived [redacted] the troughs [redacted] longer. "It [redacted] to [redacted] years, [redacted] three," [redacted] B. Now, it is seven or eight, [redacted] good year in [redacted].

Malaysia's plantation [redacted]try is entering its twilight years.

Even the country's largest plantation group, and one of its oldest and most conservative, [redacted] joined [redacted] rush [redacted] real *estate. Earlier* [redacted] year [redacted] Guthrie [redacted] out of [redacted] property development company it had just created.

Dunlop Estates, too, [redacted] hardly recognisable [redacted] a plan[redacted] house. Pleading poor returns, it [redacted] all its 68,890 [redacted] to an [redacted] *gas supplier* [redacted] year.

Like others, Guthrie's decision [redacted] turn its crop [redacted] housing suburbs is irreversi[redacted] Malaysia's multi-crop strategy [redacted].

In [redacted] era [redacted] steel and petrochemicals, [redacted] 10 per cent growth [redacted] real incomes, [redacted] rewards [redacted] property development [redacted] big for century-old plantation [redacted] and Golden Hope (formerly Harrisons Malaysian).

"Take *any* town. All the land around [redacted] owned by them," says Mr B. "Its agricultural value [redacted] in [redacted] books for [redacted] an [redacted]. You [redacted] flog it *for* [redacted] *or* [redacted], but [redacted] you develop it yourself."

Last November, [redacted] Darby sold 1,200 [redacted] of oil palm [redacted] Lumpur for M$150,000 [redacted] acre, nearly [redacted] cent of which [redacted] pure profit. This [redacted] alone netted M$132.5m, three times the company's plantation earnings [redacted] year.

[redacted] markets [redacted] most of [redacted] time, [redacted] year's margin [redacted] every plantation [redacted] by between half and three-quarters. *They remain profitable* but multi-cropping has suddenly [redacted] financial bur[redacted] since [redacted] crop have [redacted] against [redacted] profi[redacted] of another.

"I don't know of anyone making money *from* cocoa," [redacted] B. "Everyone thought *we could do the same for it as* [redacted] did with palm oil."

Oil palm [redacted] early 1970s as [redacted] planter's insur[redacted] against weak rubber prices. [redacted] *the international* vegetable oil market, it was [redacted] received. And, [redacted] rubber, [redacted] plantation-style cultivation with year-round harvesting.

C[redacted] was [redacted]. [redacted] Africans were already big producers, [redacted] crop seemed attractive only [redacted] the free-market prices were [redacted] by the International Cocoa Organisation's buffer stock buying, which [redacted] since [redacted] suspended.

"From hind-sight," says [redacted] B, "I think cocoa is better off a smallholder, [redacted] estate, crop. You can abuse the oil palm and rubber trees [redacted] still pull [redacted] later. [redacted] cocoa."

Underlying its beleaguered [redacted] is [redacted] Malaysian plantations *are no longer the main* players [redacted] tropical commodities. [redacted] Thailand and [redacted] alive [redacted] rubber. Says Mr B: "If the *Indonesians are as* [redacted] *statistically* as [redacted] their cultivation, they are probably [redacted] big[redacted] producers of rubber."

Help [redacted] improving [redacted] agriculture was provided by [redacted] unexpected influx of *expatriate planters,* [redacted] management, [redacted] Malaysia [redacted] a binge of [redacted] early [redacted].

[redacted] B [redacted] the government. It kept [redacted] word, [redacted] in keeping [redacted] planters until their retirement. [redacted] management shake-up following [redacted] *acquisitions of* [redacted] previously European-[redacted] plantations [redacted] in, by [redacted] estimate, [redacted] 50 resig[redacted].

Troubled by competition, labour shortages and competing demands [redacted] home, Malaysian planters [redacted] today *of mechanisation to raise out*put [redacted] the [redacted] "But, [redacted] are not growing wheat," [redacted] Mr B. On [redacted] *hilly terrain, where the* [redacted] thrive best, mechanisation [redacted] difficult.

Improved planting by smallholders, who produce [redacted] third [redacted] palm oil and two-thirds [redacted] rubber, [redacted] helped to sustain Malaysian output. [redacted] their [redacted] yields, however, they [redacted] *susceptible* to any fall in the market.

To halt agriculture's decline, [redacted] government in June announced land reforms [redacted] overhaul [redacted] smallholding [redacted]tor. [redacted] invited [redacted] participate, with investments and with management expertise. Danish investors were allowed to regain equity control [redacted] United Plantations – [redacted] to [redacted] reverted [redacted] foreign control [redacted] 10 years.

[redacted] palm, rubber and [redacted] 60 per cent, 30 *per cent and 10 per cent* respectively [redacted] in private estates, which in turn accounts for 35 per cent of total cultivated land.

During [redacted] decades, plantations cut their rubber [redacted] from 1.7m [redacted] up by oil palm [redacted] but, today, [redacted] promise [redacted] "insurance" [redacted] is in danger [redacted] evaporating.

So lucrative an [redacted] is the property [redacted] plantations' "main [redacted] will be [redacted] development [redacted] land in [redacted] 10 years", [redacted] Mr [redacted].

He hopes [redacted] retire before then to England where "I [redacted] grow vegetables", [redacted] says. "I was last in, and I'm [redacted] out."

[redacted] is the pseudonym of a planter who prefers to remain [redacted]

Cocoa growing has not provided the hoped-for insurance against low rubber prices

Rubber price fall sparks support purchases

THE INTERNATIONAL Natural Rubber Organisation announced yesterday that it had made [redacted] first price support purchase for 17 months, reports [redacted] from Kuala Lumpur. *The group said it* bought an undisclosed amount *of RSS No.* 1 Indonesian rubber for September and October shipment in the Singapore market.

An official said Inro bought for September at 80.25 US cent[redacted] a kilogram and for [redacted]*ber at 81.00 cents, fob from the* Indonesian ports [redacted] Belawan, Surabaya and Jakarta. [redacted] the amount [redacted] hundred tonnes.

Mr Aldo Hofmeister, the organisation's buffer stock manager [redacted] last [redacted] that [redacted] *might resume buying as* [redacted] as prices had fallen below the group's "may-buy" level of [redacted] Malaysian/Singapore [redacted] kilogram.

The five-day average, which is tak[redacted] from Singapore, Kuala Lumpur, London and New York markets, was [redacted] Tuesday.

Under Inro rules, Mr Hofmeister may buy rubber below 176 [redacted] and must buy below [redacted] cents. Inro [redacted] bought 34,500 [redacted] January and [redacted] year.

[redacted] buffer stock [redacted] surplus of RSS [redacted] 1 and [redacted] rubber [redacted] depressing prices.

News of [redacted] intervention lifted prices in Singapore but had [redacted] influence in Kuala Lumpur. [redacted] *may stay weak unless Inro buys in the* local market," [redacted]

Norwegian plant to cut nickel output

By Robert Gibbens in *Montreal*

THE FALCONBRIDGE metals company [redacted] back production at its nickel refinery in Norway because of low prices and disruption in [redacted]pply of feedstock from [redacted] Soviet Union.

[redacted] *jointly* by [redacted] and Trelleborg of Sweden, will trim the operating rate to [redacted] cent of capacity for several [redacted] from the present [redacted] cent, until market conditions become clearer.

[redacted] produced almost [redacted] of refined nickel in 1990 [redacted] of western world consumption. The refinery's feedstock [redacted] from Canada, Botswana and the Soviet Union.

● At the London Metal Exchange yesterday [redacted] nickel price fell $57.50 to [redacted] fresh 1991 [redacted] a tonne.

Albania agrees exploration contracts

By Kerin Hope, recently in Tirana

ALBANIA HAS signed contracts for offshore [redacted] and natural gas exploration [redacted] oil companies [redacted] will complete [redacted] more [redacted]ments early [redacted] month, according to a senior industry ministry official.

D[redacted] of Germany and OMV of Austria were granted joint prospecting and [redacted] *rights in* [redacted] *Adriatic* [redacted] north Albanian coast, while two [redacted] companies, Chev[redacted] Corporation and Occidental Petroleum, are to explore in two separate areas [redacted] south.

[redacted] *Bejo Sejdini,* oil director at the ministry, said final *details of similar agreements* with Agip of Italy and Hamilton Oil Corporation [redacted] US [redacted] being worked out. "We [redacted] up five offshore [redacted] for exploration and we expect that [redacted] testing will [redacted] month in several of those areas," he said.

The contracts, [redacted] for 25 [redacted] foresee a three- [redacted] five-[redacted] research and explor[redacted] period during [redacted] staff will undergo [redacted] training, [redacted].

"Once the exploration costs are recovered through production, the equipment used will become the property of the Albanian state. The state will [redacted] larger *proportion* of profits from production."

Albania, an oil producer [redacted] has proven onshore reserves of 200m tonnes, mainly [redacted] the south. [redacted] only a small proportion [redacted] recoverable with present drilling equipment, [redacted] of it dat*ing from the 1950s.*

Production has declined sharply [redacted] recent years from [redacted] peak [redacted] about [redacted] in [redacted]. Last [redacted] only about 1m tonnes was produced, while this year's output is forecast [redacted] only 900,000 tonnes, well below [redacted] country's annual domestic requirement of 1.1m [redacted].

"We will probably have to import [redacted] tonnes this [redacted] is rising, especially [redacted] the introduction of private cars in Albania," Mr Sejdini said. In the past, Albania exported crude to Greece and Italy.

Current production is mostly of heavy crude with [redacted] high sul*phur content.* The country's total refining capacity is about 2.5m [redacted] annually.

[redacted] Sejdini [redacted] legislation was being prepared to permit joint [redacted] with foreign [redacted] companies [redacted] onshore production.

Albania [redacted] produces [redacted] *cubic* [redacted] *annually* of natural [redacted] from five [redacted] in the centre and south of the country. It [redacted] local industries.

● Statoil, the Norwegian [redacted] company, [redacted] that from yesterday its Mongstad refinery would be closed [redacted] a planned, six-week, [redacted] (£13m) inspection and maintenance [redacted], writes Karen Fossli in Oslo.

Mongstad, [redacted] came on stream [redacted], [redacted] produces about 6.5m tonnes of refined products annually, [redacted] per cent of [redacted] is fuel.

"We will fulfil term customers' contracts by supplying products which have been [redacted] underground caverns [redacted] refinery [redacted] by some purchases in the market," [redacted] R. Oeyen, [redacted] Statoil spokeswoman said. Spot market sales will decline in the period, however, she added.

About 70 [redacted] of Mongs[redacted] refining capacity is [redacted] on term contracts. [redacted] Norwegian [redacted] crude [redacted] would normally [redacted] to [redacted] will be [redacted] in the world market. [redacted] 1,000 extra [redacted]ers, including the regular [redacted] of 700, will be involved in the operation.

Jamaican sugar crop higher, but below target

By Canute James in Kingston

[redacted] 1991 sugar harvest yielded [redacted] tonnes, 14,312 tonnes more than last year's production, but short of the industry's target of 240,000 tonnes.

Mr Frank Downie, executive chairman of the Sugar [redacted]try Authority, [redacted] that the island had *met all its export* commitments of [redacted] tonnes [redacted] the European Community and [redacted] tonnes to the [redacted].

He [redacted] had shipped an additional [redacted] tonnes this year to the [redacted] a [redacted] by Guyana against its quota [redacted] reallocated to other suppli[redacted].

Jamaica will be importing [redacted] tonnes [redacted] from the US [redacted] this [redacted] meet the [redacted] the local food processing industry, Mr Downie said.

WORLD COMMODITIES PRICES

MARKET REPORT

Zinc remained under pressure throughout the day on the LME. Speculative selling [redacted] *three-month* [redacted] contract low [redacted] $1,028 a tonne on [redacted] morning pre-market before trade buying and short-covering provided support [redacted] held [redacted] market above $1,030 for the [redacted] of the day. Traders [redacted] *market was in uncharted territory* [redacted] they [redacted] not pinpoint [redacted] support. They suggested [redacted] $1,000 was probably in [redacted] lot [redacted] people's [redacted]. *The physical* sector [redacted] sluggish but there have [redacted] signs of a pick-up [redacted] *US demand with premiums of up to $10 being paid for zinc in* [redacted] recently. Copper maintained this week's firmer [redacted] although profit-taking trimmed gains [redacted] the [redacted] *firmer pound against* [redacted] *dollar* restricted the rise in [redacted] sterling *copper price. Speculative buying* [redacted] short-covering against a background [redacted] tightness [redacted] LME September delivery [redacted] optimism in [redacted] prospects for [redacted] fourth quarter *economic recovery aided* [redacted] *firmer trend,* [redacted]. *The possibility of* [redacted] *strike* [redacted] *Peru's facilities,* [redacted] *yesterday* but now postponed until next Tuesday, had little impact as [redacted] *threats in Peru have* [redacted] full miner support.

Compiled from [redacted]

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	[redacted]	[redacted]
[redacted]	[redacted]	-.025
[redacted] Blend [redacted]	$20.00-0.10	[redacted]
W.T.I. (1 [redacted]	[redacted]	[redacted]

Oil products (NWE prompt delivery per tonne CIF)		+ or -
[redacted]	[redacted]	
[redacted] Oil	[redacted]	+1
Heavy [redacted] Oil	$71-73	-1
Naphtha	$213-215	-2
Petroleum Argus Estimates		

Other		+ or -
[redacted] troy [redacted]	$354[redacted]	[redacted]
[redacted] (per [redacted]	394.5c	-1.0
Platinum (per troy oz)	$338.75	-6.0
Palladium (per troy oz)	$81.65	+0.75
Copper (US Producer)	108c	+2
Lead (US Producer)	35c	
Tin [redacted] Lumpur [redacted]	15.16r	[redacted]
Tin (New York)	259.0c	
[redacted]	62.0c	
[redacted] weight)†	105.43p	*
[redacted]	118.08p	*
Pigs (live weight)†	65.37p	*
[redacted] daily sugar (raw)	$234.0q	-10
London daily sugar (white)	$287.5	-1.5
[redacted] and Lyle [redacted]	£248.5	-6.5
[redacted] (English feed)	£109.75	
[redacted] (US No. 3 [redacted]	[redacted]	
[redacted] (US [redacted] Northern)	£101.5	
[redacted]	53.00p	-0.25
[redacted]	53.50p	[redacted]
[redacted] (KL RSS No 1 [redacted]	[redacted]	-2
Coconut oil (Philippines)§	$440.0y	-15
Palm Oil (Malaysian)§	$317.0t	-8
[redacted] (Philippines)§	$290.0t	
Soyabeans (US)	£157.00	-2
[redacted] "A" [redacted]	71.90c	
Wooltops (64s Super)	[redacted]	

£ a tonne [redacted] p-pence/kg. [redacted] r-ringgit/kg. q-Sep/Oct t-Aug/Dec u-Sep x-Jul/Aug y-Aug/Sep [redacted] j-Oct/Nov. †Meat [redacted] prices. * change from a week ago. ♥London physical [redacted] Rotterdam. ♣ Bullion market [redacted] m-Malaysian cents/kg.

SUGAR – London FOX ($ per [redacted])

[redacted]	[redacted]	[redacted]	High/Low	
Oct	203.00	[redacted]	205.00	202.60
Dec	188.60	190.00	[redacted]	
Mar	[redacted]	[redacted]	187.00	[redacted]
May	[redacted]	[redacted]	187.40	
[redacted]	[redacted]	194.40	[redacted]	[redacted]

[redacted]	[redacted]	[redacted]	High/Low	
Oct	285.0	287.3	287.0	[redacted]
Dec	278.1	278.3	278.7	[redacted]
Mar	276.8	[redacted]	277.5	275.5
May	[redacted]	[redacted]	276.3	275.0
Aug	274.6	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Turnover: Raw 321 (465) lots of 50 tonnes. White 1643 (1062)
Paris- White (FFr per [redacted] 1702, [redacted] 1685, Mar 1667

CRUDE OIL – IPE [redacted]

	[redacted]	[redacted]	High/Low	
Oct	20.02	20.11	20.12	[redacted]
Nov	20.06	20.13	[redacted]4	19.99
Dec	20.03	[redacted]	[redacted]	20.02
[redacted]	19.99	[redacted]	[redacted]	[redacted]
[redacted]	20.09	19.89	20.09	

Turnover [redacted]

GAS [redacted] – IPE $/tonne

	[redacted]	[redacted]	High/Low	
[redacted]	[redacted]	[redacted]	[redacted]	191.75
Oct	194.75	194.50	195.50	193.50
Nov	196.25	196.25	197.00	194.00
Dec	197.50	[redacted]	[redacted]	195.75
Jan	194.50	194.50	[redacted]	193.75
[redacted]	189.00	[redacted]	190.00	189.00
[redacted]	182.50	[redacted]	[redacted]	[redacted]

Turnover [redacted] of 100 [redacted]

WOOL

Australian [redacted] are barely [redacted], *with fractional easing the pattern from sale to sale.* More or less [redacted] dull conditions [redacted] in [redacted] primary [redacted] now South [redacted] moving [redacted] new selling season. [redacted] exist in all three countries but New Zealand [redacted] to finish disposal in three years, while the Australian plan is to [redacted] rid of the much larger 4½ million bales stockpile over seven years. Sovit developments still hold much uncertainty with no prospect of an early resumption of buying on the scale [redacted] to [redacted] over [redacted]

COCOA – London FOX [redacted]

	[redacted]	[redacted]	High/Low	
[redacted]	[redacted]	661	[redacted]	640
[redacted]	[redacted]	691	668	[redacted]
Mar	722	728	[redacted]	717
May	741	747	74[redacted]	[redacted]
Jul	760	766	761	7[redacted]
Sep	780	786	781	
Dec	[redacted]	811	805	804
Mar	829	836	[redacted]	829
May	846	854	845	
Jul	863	872	863	

Turnover: 3807 (3721) [redacted] of 10 tonnes
ICCO indicator prices (SDRs per tonne). [redacted] 854.52 [redacted] day [redacted]

[redacted] – London FOX £/tonne

	[redacted]	[redacted]	High/Low	
Sep	[redacted]	[redacted]	[redacted]5	518
Nov	[redacted]	[redacted]	[redacted]4	546
Jan	570	580	576	569
Mar	590	598	594	589

Turnover:10791 (12563) lots of 5 tonnes
ICO indicator prices (US cents per pound) [redacted] Aug [redacted]: [redacted] [redacted]48 (64.77) 15 [redacted] age [redacted]

POTATOES – [redacted] FOX £/tonne

	[redacted]	Previous	[redacted]
Apr	[redacted].0	[redacted]	[redacted] 117.2

[redacted] (34) lots of 20 tonnes.

SOYAMEAL – London FOX [redacted]

	[redacted]	[redacted]	High/Low
[redacted]	[redacted]	[redacted]	[redacted]

Turnover [redacted]

FREIGHT – [redacted] point

	[redacted]	[redacted]	High/Low	
[redacted]	1643	1655	1650	1640
Oct	[redacted]	[redacted]	1720	1700
[redacted]	[redacted]	[redacted]	[redacted]	1710
Apr	[redacted]	[redacted]	[redacted]	1700
BFI	[redacted]	[redacted]	[redacted]	

Turnover [redacted]

[redacted] – London FOX [redacted]

Wheat	[redacted]	[redacted]	High/Low	
[redacted]	113.15	112.85	[redacted]	[redacted]
[redacted]	[redacted]	116.70	116.80	[redacted]
Jan	120.40	120.40	[redacted]	[redacted]
Mar	123.70	123.70	123.70	
May	126.50	126.45	126.45	

Barley	Close	Previous	High/Low	
[redacted]	108.65	108.45	109.40	
Nov	[redacted]	113.30	113.50	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Turnover: Wh[redacted] ([redacted]), Barley 22 (55).
Turnover lots [redacted] tonnes.

PIGS – London FOX [redacted] p/kg

	[redacted]	[redacted]	High/Low	
Sep	91.0	91.5	92.0	91.0
Oct	100.0	99.8	100.0	
Jan	102.5	[redacted]	102.5	

Turnover:12 (25) [redacted] 3,250 [redacted]

[redacted] – London FOX

	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	137.42	136.46			
[redacted]	[redacted]	136.40	[redacted]	[redacted]	90
Oct	[redacted]	137.50	139.40	139.00	[redacted]
Nov	[redacted]	138.50	139.20	138.70	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	70

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM [redacted]	Kerb [redacted]	Open [redacted]
[redacted] (per tonne)					Total daily [redacted]	
Cash	1258-9	1252-4	1251	1261-2		
[redacted]	[redacted]	1263-4	1296/1260	1282-4	1286-7	[redacted]
Copper, Grade [redacted] (£ per tonne)					[redacted]	lots
Cash	1356-7	1343-4	1358/1356	1357-8		
[redacted]	[redacted]	1361-2	1364/1356	[redacted]	1353-3.5	127,152 lots
Lead [redacted] per [redacted]					Total [redacted] 1,750	[redacted]
Cash	317-7.5	318-9	318/317	317.5-18		
3 [redacted]	329-30	[redacted]	333/330	330-30.5	329-31	[redacted]
Nickel ($ per tonne)					Total [redacted]	
[redacted]	7830-40	7890-95	7835	[redacted]		
3 [redacted]	[redacted]	7940-45	7900/7865	7875-80	[redacted]	[redacted]
[redacted] ($ per tonne)					[redacted]	lots
Cash	5575-85	5585-90	5555/5540	[redacted]		
3 [redacted]	5655-60	5685-70	[redacted]	5635-45	[redacted]	7,400 lots
[redacted] High [redacted] ($ [redacted])					Total [redacted]	
Cash	1013-15	1022-24	1013	[redacted]		
3 months	1033-34	1043-4	1043/1030	[redacted]	1032-3	28,325 lots

LME Closing £/$ rate: [redacted]: 1.6899 3 months: 1.6692 [redacted] 9 months: 1.6393

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine [redacted]	$ price	£ equivalent
Close	354.20-354.70	
Opening	[redacted]	
Morning [redacted]	[redacted]	[redacted]
Afternoon fix	354.50	209.987
Day's high	356.30-356.60	
Day's [redacted]	[redacted]	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 [redacted]	5.29	[redacted] months	5.08
[redacted]	5.19	12 [redacted]	[redacted]
[redacted]	5.13		

Silver fix	p/fine oz	US cts equiv
Spot	235.70	395.00
3 months	241.95	[redacted]
6 [redacted]	[redacted]	408.15
[redacted]	250.60	418.95

[redacted] COINS
(Prices [redacted] Engelhard [redacted])

	$ [redacted]	£ [redacted]
Krugerrand	[redacted]	[redacted]
Maple [redacted]	[redacted]	215.25-215.75
New Sovereign	86.00-87[redacted]	51.00-51.50

TRADED OPTIONS

[redacted] $ tonne	Calls Sep	[redacted]	Puts Sep	Dec
1150	116	147		[redacted]
1250	[redacted]	86	[redacted]	20
1300		20	64	72

Copper (Grade [redacted])	[redacted]		Puts	
2150	138	132		28
2250	[redacted]	[redacted]	[redacted]	[redacted]
2350	1	[redacted]	[redacted]	126

Coffee	[redacted]	Jan	Nov	Jan
450	96	119		
500	49	73	[redacted]	4
550	15	36	19	17

Cocoa	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	58	99	25	26
[redacted]	44	82	39	35
[redacted]	34	68	51	[redacted]

Brent Crude	Oct	Nov	[redacted]	Nov
2000	39	59		
2050	10			
[redacted]		26		

New York

GOLD [redacted] troy oz.; $/troy oz.

	[redacted]	[redacted]	High/Low	
[redacted]	[redacted]	354.4	355.9	354.2
Sep	353.9	[redacted]	0	0
Oct	355.6	356.2	357.6	[redacted]
Dec	358.9	359.5	361.1	[redacted]
Feb	[redacted]	[redacted]	362.5	361.0
Apr	[redacted]	[redacted]	367.2	367.2
Jun	368.1	3368.9	0	0
[redacted]	371.3	372.2	0	0
Oct	374.3	[redacted]	0	0

PLATINUM 50 troy oz; $/troy oz.

	[redacted]	[redacted]	High/Low	
Oct	341.5	333.5	[redacted]	338.2
Jan	345.8	337.6	[redacted]	342.5
Apr	349.5	341.3	351.0	348.5
Jul	353.5	345.3	354.0	351.0
Oct	360.5	352.3	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	392.2	391.0	392.5	391.6
Sep	[redacted]	391.3	394.0	391.5
[redacted]	394.1	[redacted]	0	0
Dec	398.8	397.9	401.0	397.5
[redacted]	[redacted]	[redacted]	0	0
[redacted]	405.5	404.6	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Jul	[redacted]	413.8	0	0
[redacted]	419.3	418.6	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	[redacted]	[redacted]	High/Low	
[redacted]	[redacted]	103.40	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	103.15	102.50	[redacted]	[redacted]
Nov	[redacted]	102.20	102.85	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Jan	[redacted]	[redacted]	[redacted]	[redacted]
Feb	101.50	[redacted]	101.15	[redacted]
Mar	100.95	100.30	100.80	100.20
Apr	100.45	99.80	0	0
May	99.95	99.30	99.80	99.28

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	21.79	21.98	21.94	21.72
Nov	21.66	21.88	21.84	21.62
[redacted]	21.49	21.65	21.60	21.45
Feb	21.39	21.52	21.46	21.36
Apr	21.09	21.22	21.14	21.09
May	21.00	21.09	21.03	21.03
Jun	20.85	20.98	0	0
Jul	20.80	20.90	20.80	20.80

[redacted] OIL 42,000 US galls, cents/US galls

	[redacted]	[redacted]	High/Low	
Sep	6215	[redacted]	6230	6195
Oct	6315	[redacted]	6325	6290
[redacted]	[redacted]	[redacted]	6420	6395
Dec	[redacted]	[redacted]	6520	6480
Jan	[redacted]	[redacted]	6530	6500
Feb	6370	[redacted]	6375	6350
[redacted]	6120	[redacted]	6120	6100
Apr	5880	[redacted]	5880	5880
May	5720	5743	5735	5735
Jun	[redacted]	5670	5725	5595

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1025	1022	1030	1015
Dec	1072	1069	1086	1060
Mar	1123	1117	1134	1110
May	1152	1146	1160	1145
Jul	1176	1170	0	0
Sep	1202	1193	0	0
Dec	1233	1228	0	0
Mar	1270	1268	0	0
May	1295	1289	0	0
Jul	1321	1311	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	84.20	84.40	84.00	83.55
Dec	87.45	87.40	87.45	86.60
Mar	90.90	90.90	91.40	90.00
May	93.70	93.40	93.30	93.00
Jul	96.10	95.90	0	0
Sep	98.70	98.60	98.00	98.00
Dec	103.00	103.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	8.81	8.86	9.00	8.77
Mar	8.41	8.34	8.45	8.29
May	8.34	8.28	8.37	8.25
Jul	8.31	8.27	8.34	8.26
Oct	8.32	8.30	8.36	8.31

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	86.03	86.95	86.15	85.20
Dec	66.62	67.54	68.74	65.90
Mar	67.57	68.13	67.75	67.09
May	66.20	66.95	68.30	67.70
Jul	68.75	66.83	68.86	68.75
Oct	67.50	0	67.20	67.20

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
[redacted]	118.75	119.20	119.80	119.05
[redacted]	117.50	116.70	117.70	116.95
Jan	115.30	114.85	115.50	115.00
Mar	116.40	116.00	116.50	116.10
[redacted]	117.35	116.75	117.00	117.00
[redacted]	117.35	116.75	117.25	117.00
Sep	117.35	116.75	0	0
[redacted]	117.35	116.75	0	0
Jan	117.35	116.75	0	0

INDICES

REUTERS [redacted] = 100)			
Aug.28	Aug.27	mnth ago	yr ago
1658.5	[redacted]	1724.1	[redacted]

DOW JONES (Base: [redacted] = [redacted])				
	Aug.27	Aug.26	mnth [redacted]	[redacted]
Spot	117.92	[redacted]	121.38	131.49
[redacted]	[redacted]	[redacted]	[redacted]	133.37

Chicago

SOYABEANS 5,000 bu min; [redacted]

	[redacted]	[redacted]	High/Low	
[redacted]	570/4	574/6	583/4	570/0
Nov	[redacted]		596/0	[redacted]
Jan	594/4	[redacted]	608/4	[redacted]
Mar	604/2	[redacted]	618/0	604/0
[redacted]	[redacted]	[redacted]	625/0	612/0
Jul	618/0		629/4	618/0
[redacted]	[redacted]	621/0	623/0	615/0
[redacted]	[redacted]	600/0	[redacted]	598/0
[redacted]	[redacted]	598/4	[redacted]	596/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	19.86	19.86	20.28	19.85
Oct	20.04	20.12	20.43	20.01
Dec	20.41	20.48	20.83	20.40
Jan	20.60	20.68	20.98	20.58
Mar	20.93	21.01	21.35	20.92
May	21.11	21.20	21.60	21.11
Jul	21.36	21.51	21.80	21.36
Aug	21.40	21.61	21.85	21.40
Sep	21.40	21.51	21.90	21.40
Oct	21.40	21.51	22.00	21.40

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	185.9	185.0	188.6	184.5
Oct	184.3	183.6	187.4	182.8
Dec	183.3	182.4	187.0	181.8
Jan	182.8	182.5	186.3	181.5
Mar	182.8	182.7	185.9	181.5
May	181.2	182.6	184.5	181.0
Jul	180.5	181.0	184.0	180.0
Aug	181.0	181.0	183.0	181.0
Sep	180.5	181.0	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	250/0	251/6	253/6	249/6
Dec	254/4	256/4	258/2	254/0
Mar	261/4	262/4	265/2	261/2
May	265/6	267/4	269/2	265/4
Jul	268/0	270/0	271/2	267/6
Sep	254/0	256/0	257/0	254/0
Dec	250/6	252/6	253/4	250/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	305/2	302/6	309/0	302/0
Dec	317/4	316/2	322/0	315/4
Mar	322/2	321/6	326/4	321/4
May	315/4	317/4	320/4	315/4
Jul	304/6	307/0	310/4	304/4
Sep	313/0	314/4	315/4	313/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	69.95	71.05	70.58	69.70
Dec	73.07	74.07	73.50	72.75
Feb	72.05	72.50	72.32	71.40
Apr	72.95	73.15	73.20	72.55
Jun	70.92	71.17	71.10	70.50
Aug	69.40	69.60	69.65	69.40

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	43.95	44[redacted]	44.37	43.72
Dec	43.65	44.25	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	43.02
Apr	[redacted]	42.06	[redacted]	[redacted]
[redacted]	45.90	45.95	45.90	45.80
Jul	[redacted]	[redacted]	[redacted]	[redacted]
Aug	[redacted]	[redacted]	0	44.45

PORK BELLIES 40,000 lbs; cents/lb

	[redacted]	[redacted]	High/Low	
Feb	47.60	48.70	48.05	47.02
Mar	47.20	48.25	47.50	46.60
May	48.00	[redacted]	48.30	47.55
Jul	48.10	[redacted]	48.10	47.50
Aug	45.10	[redacted]	0	0

LONDON STOCK EXCHANGE

Special deals boost trading volumes

By Terry Byland, UK Stock Market Editor

A LONDON [redacted] market still waiting [redacted] dust to clear in eastern Europe busied itself yesterday with a batch of equity deals which gave a significant boost to trading volumes. An attempt to rally from the fall of the previous day was unsuccessful, however, and early gains had been largely whittled [redacted] by the close of business.

Views by UK equity strategists on prospective developments in eastern Europe were put on hold as Mr John Major, the UK prime minister, began his visit to the US, which will be followed by meetings with Soviet leaders.

At Barclays de Zoete Wedd, Mr Richard Kersley commented that after last week's momentous events, the near-term outlook for the market is again "dependent on [redacted] strength and timing of the economic recovery".

Account Dealing Dates		
*First Dealings:		
Aug 12	Sep 2	Sep 16
Option Declarations:		
Aug 29	Sep [redacted]	[redacted]
Last Dealings:		
Aug 30	Sep 13	Sep 27
Account Day:		
Sep 9	Sep 23	Oct 7

*New-time dealings may take place from 8.30 am two business days earlier.

Equities opened slowly before being helped ahead once again by [redacted] FT-SE futures contract, but could only manage a gain of ten Footsie points before [redacted] impetus. The big institutions continued to hold back, partly because of expectations that Ladbroke, the hotel and leisure group, will hit the London market with a near £500m right issue when it [redacted]rts interim profits this morning.

Interest soon turned to a number of unexpected developments in the corporate sector, and the broad range of the market drifted back towards its overnight levels, despite [redacted] gain of 9.17 Dow points in New York during London hours. By the final reading of 2,624.2, the gain on the FT-SE [redacted] Index had been cut to only 4.4 points.

Seaq volume increased to 514.9m shares from Tuesday's 320.1m, but traders maintained that this in no sense signified a return to the hectic trading conditions experienced a week ago.

Turnover was boosted by double counting involved in sizeable placings of stock in a handful of issues, notably Royal Insurance, Hambros, [redacted] Howden.

There was also a substantial trading programme made up of both buy and [redacted]ll orders for a range of blue chip issues, operated by [redacted] leading UK investment bank. The [redacted] trades moved across the [redacted] electronic network after the close of dealing for the day.

The market was helped by a generally firm performance among [redacted] blue chips. Con[redacted] stocks continued to edge higher, with some high street [redacted] standing out firmly on hopes that the worst of the recession in domestic consumer spending has now been seen. ICI, still seen as an [redacted]cator of market confidence, gained further ground.

In spite of the calmer tone this week in the London market, [redacted] strategists remain confident that share prices can make further ground this year, always with the proviso that the Sovi[redacted] crisis can be [redacted].

At Kleinwort Benson Securities, Mr Roger Palmer believes that institutional investors, [redacted] to reduce liquidity further, may have missed the opportunity last week and will continue to seek stock for the balance of the summer. Klein[redacted] is urging clients [redacted] add [redacted] UK funds on market weakness, but adds that investors might hold back while the market remains near its all-time highs.

Mr Richard Lake at Hoare Govett is also bullish, pointing out that most stocks immediately found buyers following the setback on Red Monday last week.

FINANCIAL TIMES STOCK INDICES

	Aug 28	Aug 27	Aug 23	Aug 22	Aug 21	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	85.80	85.78	85.94	85.94	85.85	78.09	[redacted]	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	[redacted]	94.99	94.91	94.83	94.80	86.44	[redacted] (22/8)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	2053.9	2059.0	2069.3	[redacted]	2033.7	[redacted]9	2069.3 (23/8)	1606.3 (16/1)	2069.3 (23/8/91)	49.4 (26/6/40)
Gold Mines	[redacted]	189.0	182.0	187.7	[redacted]	188.8	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2624.2	2619.8	[redacted]	2623.0	[redacted]	2125.7	2640.7 (23/8)	2054.8 (16/1)	2640.7 (23/8/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1184.61	[redacted]	[redacted]	[redacted]	[redacted]	-	[redacted] (5/6)	[redacted] (16/1)	1192.11 [redacted]	[redacted] (16/1/91)
[redacted] Div. [redacted]	4.82	4.63	4.50	[redacted]	4.66	5.71				
●Earning Yld [redacted]	7.53	7.56	7.48	7.54	7.62	12.76				
[redacted]	[redacted]	16.52	16.66	16.55	16.37	9.98				
SEAQ Bargns 4.45pm	26,858	[redacted]	32,495	39,772	27,821	16,307				
Equity Turnover(£m)†	-	[redacted]	869.66	1129.95	1099.95	580.84				
Equity Bargains†	-	[redacted]	[redacted]	30,620	[redacted]	[redacted]				
Shares Traded (ml)†	-	264.5	415.4	[redacted]	[redacted]	[redacted]				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90 ☆ Nil 15.76 ‡ Corrected

Ordinary Share Index, Hourly changes — Day's High 2060.8 — Day's Low 2048.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2048.4	2054.4	2058.5	2060.0	2057.4	2057.3	2056.4	2055.0	2053.6

FT-SE 100, Hourly changes — Day's High 2630.6 — Day's Low [redacted]

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2617.3	2623.4	[redacted]	2630.4	2627.5	2629.2	2626.7	2626.1	2622.8

FT-SE Eurotrack 200, Hourly changes — Day's High 1187.18 — Day's Low 1183.90

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1184.30	1185.09	1186.43	1185.91	1186.20	1185.14	1184.71

GILT EDGED ACTIVITY

Indices*	[redacted] 27	Aug 23
Gilt Edged Bargains	77.2	[redacted]
5-Day [redacted]	76.7	78.3

*SE Activity 1974.
†Excluding intra-market business & [redacted] turnover.

London report and latest Share index: [redacted]

Heavy trade in Royal

Royal Insurance, the composite [redacted]urer, featured prominently as one of the most actively traded stocks in the Footsie [redacted] shares in Royals were traded, with the turnover made up virtually exclusively of a series of deals between brokerage houses, respectively two lines of [redacted] shares and then a further two of 3.7m shares apiece. The agency deals, equivalent in total to 1.2 per cent of the equity, [redacted] by Robert Fleming Securities.

The broker acknowledged it [redacted] heavily involved in Royals but [redacted] had reaffirmed its bullish stance on the stock after talking to the group on Tuesday. Flemings cited evidence [redacted] the insurance cycle in [redacted] and Canada [redacted] turning in favour of Royal, and that strong rate rises in the UK [redacted] takeover potential are [redacted] bull points [redacted] the shares. The broker also said [redacted] worries about Royal's mortgage [redacted]nity business – Royals has a similar market share to Eagle Star – had been overplayed; it believes [redacted] quality of Royal's mortgage indemnity [redacted] is much higher than [redacted] Star's, which recently shocked the [redacted] by disclosing substantial losses [redacted] this area. [redacted] shares settled [redacted] penny off at [redacted].

Hambros deals

The market took the placing [redacted] the 6 per cent stake in Hambros, the merchant bank, held by Banco Bilbao Vizcaya, the Spanish bank, in its stride, with the Hambros share price unshakeable at 288p, unaltered on the day.

The Seaq ticker showed up [redacted] of the placing, said to [redacted] been carried [redacted] by [redacted] Warburg Securities. [redacted] line of 9.7m Hambros shares [redacted] as having been traded [redacted] 271p while another block of 9.2m traded soon afterwards at 274p, indicating that [redacted] placing had been done on [redacted] bought deal basis with the broker taking a 3p a share turn.

[redacted] is [redacted] second big holding in [redacted] merchant bank [redacted] dispersed this year. Baltica, the Danish financial services company, sold a near 14 per cent stake in April, having unsuccessfully sought a co-operation agreement with the bank and [redacted] and [redacted] associates, [redacted] at the time included Banco Bilbao, Banco San Paolo di Torino and Guardian Royal Exchange.

The Baltica stake was sold at [redacted] and [redacted] quickly emerged that Banco Bilbao was a willing seller of its shareholding. The stake has since been overhanging the market.

Specialists said Banco Bilbao had held out for the right price for its holding and that the placing of a near [redacted] per cent stake [redacted] Hambros in such [redacted] short [redacted] time indicated the abs[redacted] of any predators for the merchant bank.

SmithKline active

SmithKline Beecham was one of the better performers of the day [redacted] FT-SE 100 stocks after [redacted] Pharmaceutical agreed to pay the company $40m (£23.8m) in settlement of [redacted] lawsuit.

SmithKline's [redacted] challenged Bolar's manufacture [redacted] generic [redacted] the drug Dyazide, used [redacted] high [redacted].

Dyazide, with US [redacted] of about [redacted] year, [redacted] by controversy. A [redacted] of Representatives subcommittee is examining [redacted] is maintaining [redacted] monopoly in Dyazide. Last [redacted] former Bolar executives admitted obstructing an [redacted]tigation into whether the company had submitted false evi[redacted] on Dyazide to the US Food and Drug Ad[redacted].

UBS Phillips & Drew took the opportunity to reiterate its buy recommendation on SmithKline after the settlement.

Traders said that the 9 gain in SmithKline's A shares [redacted] 791p was assisted by switching from the equity units. The units added 35 – less in proportional [redacted] – to [redacted]. The equity [redacted] mainly of five A shares and are designed to be more tax efficient for shareholders in the US, where most of them are held. [redacted] climbed by more than [redacted] third in early trading in the US.

Brent Walker steady

News that Brent Walker had called in the Serious Fraud Office hit the shares hard in early trading. They lost more then [redacted] per cent of their value before nerves steadied after the company's chairman said any investigation would not interfere with the company's restructuring plans.

The shares eventually steaded at 20¼p, a fall of just a penny on the day in moderate turnover. One of Brent Walk[redacted] biggest creditors, Standard [redacted]rtered Bank, was 9 lower [redacted] point [redacted] ending [redacted] 374p, [redacted] net decline of 7.

Ladbroke's gyrations continued ahead of a widely [redacted] rights [redacted] today. [redacted] shares recovered 7 to 274p.

Royals apart, there were plenty of stories circulating in the insurance sector. Guardian Royal Exchange (GRE) came under late selling pressure, closing [redacted] 5 down [redacted] 181p [redacted] heavy [redacted] of 4.8m shares [redacted] dealers reacted [redacted] that [redacted] composite insurer [redacted] launch a b[redacted] rights issue along [redacted] results, scheduled for [redacted] morning. [redacted] specialists were sceptical of the rights [redacted] agreed [redacted] interim figures [redacted] poor. The [redacted] is for GRE [redacted] produce a loss [redacted] thing be[redacted] £60m [redacted] £100m, against a comparable loss of [redacted], with the dividend held at 4.4p.

Sun Alliance, also suffering from [redacted] perceptions that it would be [redacted] hard hit [redacted] Eagle [redacted] on [redacted] mortgage indemnity account when it reports interims on September 5, lost [redacted] to [redacted]. Analysts have been pencilling in a projected half-time [redacted] in [redacted] £100m for Sun Alliance, but say its balance sheet and solvency margins are much better placed to absorb any [redacted].

The impact of [redacted] heavy losses in [redacted] indemnity area [redacted] highlighted by Smith [redacted] Court. [redacted] stockbroker, which yesterday pub[redacted] damage wrought by mortgage indemnity [redacted] another big player in that area, Legal & General (L & G).

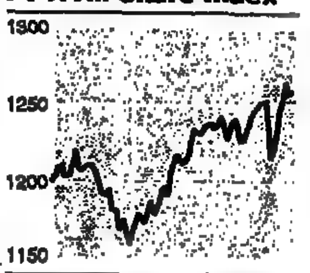
Mr [redacted] Cizdyn [redacted] Smith [redacted] he had shifted his full year forecast for L & G from a projected profit of £70m to [redacted] projected [redacted] of [redacted]. He expects L & G to [redacted] an interim loss of £85m [redacted] figures are announced on September 12, against a profit of [redacted] last time, [redacted] a £120m [redacted] on [redacted] guarantees. Smith still [redacted] L & G to [redacted] the interim, by 5 per cent to [redacted], as a sign of confidence in the life fund. L & G [redacted] closed 3 [redacted] at 439p.

ICI outperformed the rest of [redacted] market [redacted] caught wind [redacted] a presentation [redacted] made by the company [redacted] at [redacted] Benson. However, Mr Jeremy Chantry [redacted] said [redacted] he [redacted] changing [redacted] view of the company as a result of the meeting. He added that he was increasingly of the view that Hanson was unlikely to use its 2.8 per cent stake in ICI to launch a bid. ICI firmed 9 to 1339p nevertheless.

In an [redacted] quiet brewing sector, Greenalls [redacted] from County [redacted].

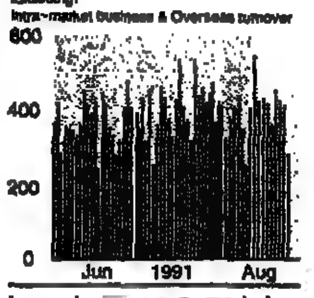
Tesco recovered well [redacted] recent weakness, while Argyll [redacted] ground. Traders said insti[redacted] had [redacted] switching out [redacted] Argyll, [redacted] lower at 302p. Tesco added 5 at 271p as a brisk 4m changed hands.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



The textile sector was enlivened by good two-way business in Coats Viyella and Court[redacted] of their interim results next week. Coats, which reports on Wednesday, slipped 2 to 172p. Courtaulds, which reports the following day, was a [redacted] easier at 394p.

Unusually heavy trading in Rosehaugh [redacted] blamed on the [redacted] trade by County NatWest. Turnover totalled 2.4m as the shares held at 28p.

Wates City of London continued to benefit from this week's good figures. Positive [redacted] helped [redacted] shares climb [redacted] 115p.

Bredero Properties moved in the other direction after posting an interim loss of £1.3m (£1m). The [redacted] 59p.

[redacted] the most heavily traded in the market as its two brokers, S G Warburg and Panmure Gordon, crossed stock. [redacted] price [redacted] unchanged at 173p.

Car auction group ADT fell [redacted] losing all the gains of the previous day. The group suspended [redacted] dividend [redacted] Monday and [redacted] debt-reduction plans.

MARKET REPORTERS:
Daniel [redacted],
[redacted] John,
[redacted] Thompson.

■ Other market statistics, including [redacted] Share Indices and [redacted] Options, Page 18.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (84).
BRITISH FUNDS (1) Cnv. 10pc 1996 B, AMERICANS (3) California Energy, [redacted] Gen., Whirlpool, FOREIGN BONDS (1) Hydro Quebec 15pc 2011, BANKS (1) HSBC, CHEMICALS (2) Hickson Intl., Plysu, STORES (5) Argos, Bedford (Wm), Crown Eyeglass, Fine Art Devs., Hartstone, ELECTRICALS (4) ACT, Black & Decker, Electrocomponents, Nthn. Telecom, ENGINEERING (3) Richardsons Westgarth, Rotork, Victaulic, FOODS (6) BSN, Nthn. Foods, Park, HOTELS (1) Resort, INDUSTRIALS (25) Astra B, Beepax, Bowater, Do 7.75pc Cnv. Prf., Brammer, Diploma, EIS, Halma, Hays, Hepworth, Johnson Cleaners, Lilly (E), Lionheart, MB Caradon 7.25p Prf., Macarthy, Paterson Zochonis A N/V, Pentland, Portals, St. Gobain, Saxon Healthcare, Shanks & McEwan, Sidlaw, TT, Trafalgar Hse. A, Wellcome, Wolseley, LEISURE (3) Central ITV, Euro Disney, Zetters, MOTORS (3) Evans Halshaw, Sanderson Murray Elder, Vardy (Reg), NEWSPAPERS (2) EMAP, Utd News., PAPERS (3) Gold Greenlees Trott, [redacted] Smith [redacted] (1) Lamont, TRANSPORT (4) CSX, Lon. & O'seas Freighters, NFC, Tiphook, TRUSTS (18) Abtrust Prfd. Zero Prf., Contra-Cyclical Zero Prf., Dunedin Inc. Growth, EFM Inc. Zero Prf., EFT, Elect. & General, I & S Optimum Inc. Zero Prf., INVESCO MIM, Latin American, Law Debenture, M & G, Rathbone Bros., River Plate Zero Prf., Scottish Nat. Zero Prf., Stratton, TR Technology Stppd. Prf., OILS (3) Fairhaven, Intl. Petroleum, Occidental.
NEW LOWS (23).
CANADIANS (1) [redacted] Res., BUILDINGS (3) Cooper [redacted] Timber, [redacted] ELECTRICALS (1) Wharfedale, ENGINEERING (1) Rolls-Royce, FOODS (1) Greggs, INDUSTRIALS (4) Davies (DY), Grovewood, Hornby, Wilsire, LEISURE (2) Expedier, Mallwalt, MOTORS (1) Bostrom, PROPERTY (4) Bredero, Cap & Counties, Five Oaks, Warnford Inv., TRUSTS (1) Gresham House, OILS (3) Atlantic Res., Richmond, Sceptre Res.

TRADING VOLUME IN MAJOR STOCKS

[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or [redacted] down.

EQUITY FUTURES AND OPTIONS TRADING

VOLUME [redacted] expectations yesterday [redacted] an anticipated [redacted] from [redacted] Options Mar[redacted] materialise, [redacted] John.

Turnover in LTOM [redacted] below 28,000 in spite [redacted] expiry [redacted] August-dated equity options. [redacted] equity traders – Racal, BTR and RTZ – were all August [redacted] but [redacted] said inves[redacted] were [redacted] rolling their positions [redacted] the November [redacted].

Mr David Stuff [redacted] said: "Most people [redacted] speak to feel that volatility [redacted] to [redacted] there [redacted] not sufficient premium in the market to justify investment."

[redacted] Options market [redacted] on Footsie stocks, turnover [redacted] hit by the attention given in [redacted] market to [redacted].

On the Liffe, the [redacted] Footsie future opened strongly as traders hedged against [redacted] large [redacted] in [redacted] underlying [redacted] than [redacted] of [redacted] day's [redacted] done by [redacted].

Then, [redacted] momentum di[redacted] as uncertainty [redacted] in [redacted] direction [redacted] market. [redacted] official [redacted] the Sep[redacted] contract [redacted] 2,647 – a premium [redacted] 23 [redacted] the underlying FT-SE [redacted], with fewer than 3,000 lots dealt.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
100½	94½	Treas 10pc 2003	100½		9.96	9.94
108½	102	Treas 11½pc 2001–04	107¾	–⅛	10.66	10.16
59¼	53⅛	Funding 3½pc '99–04	59¾	–⅛	[illegible]	8.80
97¾	90	Conversion 9½pc 2004	96		9.90	[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

Prospective real redemption rate on projected inflation of [redacted] 10% and (2) 5%. (b) [redacted] in [redacted]heses show RPI b[redacted] indexing. (ie 8 months [redacted] to iss[redacted] and have been adju[redacted] reflect rebasing of RPI [redacted] 100 in January 1987. Conversion [redacted] RPI for [redacted] 1990: 129.9 and for July 1991: 133.8

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[redacted]	95⅞	African Dv Bk 11¼Ln2010	103⅞	.....	10.71	10[redacted]
[redacted]	91⅞	Asian Dev Bk 10¼pcLn2009	99⅞	–⅛	10.34	10.36
113⅞	105⅞	Inter-Am Dev Bk 12½pc 2003	112⅞	–⅛	11.09	10.54
[redacted]	[redacted]	[redacted]	93⅞	+⅛	10.43	10.50

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building [redacted]

[illegible]

Public [redacted] and Ind.

[redacted]	52½	Met. Wtr. 3pc 'B'	52	...	5.77	[redacted]

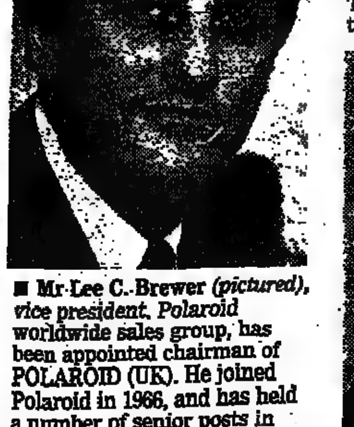
FOREIGN BONDS & RAILS

1991 High	1991 Low	Stock	Price £	+ or –	Div %	Red.
50	50	Greek 7pc Ass.	50	...	3.50	[redacted]
50	50	Do. 6pc 28 Stb. Ass.	50	...	3	
50	50	Do 4pc Mixed Ass	50	...	2	14.00
55	55	Hung. '24 Ass.	55	...	2.75	13.57
129⅞	120⅞	Hydro Quebec 15pc 2011	129⅞	+⅞	12.89	11.23

Continued [redacted] page

APPOINTMENTS

Chairman of UK Polaroid



■ Mr Lee C. Brewer (pictured), vice president, Polaroid worldwide sales group, has been appointed chairman of POLAROID (UK). He joined Polaroid in 1966, and has held a number of senior posts in the US organisation.

Sir Martin Jacomb joins Marks and Spencer

■ MARKS AND SPENCER is appointing Sir Martin Jacomb [redacted] non-executive director from September 1. Sir Martin is deputy chairman [redacted] Barclays Bank and, until [redacted] 31, [redacted] of Barclays [redacted] Wedd. He is also on the boards [redacted] Commercial Union Assurance Company and RTZ Corporation. In February [redacted] the British Council.

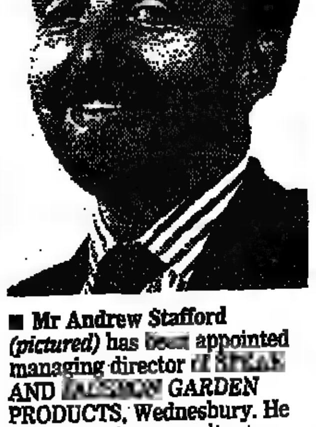
■ Mr Richard Tyekiff has been appointed [redacted] director [redacted] AARONITE, [redacted] protection specialists, which [redacted] part of Tarmac in 1988. The [redacted] Pinxton in Nottinghamshire [redacted] Stavanger in Norway. Mr Tyekiff [redacted] co-founder [redacted] the [redacted] in [redacted].

■ HOOVER, Merthyr Tydfil, has appointed Mr Mike Fallon (pictured) as the company lawyer [redacted] operations [redacted] Europe. He joins from Digital Equipment Co. Hoover is part of the Maytag Corporation, of Iowa, US.

■ Mr Jeremy Budden [redacted] managing director, personal management division, SEDGWCK FINANCIAL [redacted]. He joined as [redacted] junior consultant [redacted] ago, [redacted] deputy [redacted] director in [redacted].

■ Mr Raymond Simonds becomes [redacted] director [redacted] PAULIG (UK) from September 2. He was business development [redacted] of United [redacted] International.

■ EVERED BARDON, Solihull, [redacted] quarry products [redacted], has appointed [redacted] Tim [redacted] group commercial [redacted]. He left the group earlier this year, [redacted] years as company secretary.



■ Mr Andrew Stafford (pictured) has [redacted] appointed managing director [redacted] AND [redacted] GARDEN PRODUCTS, Wednesbury. He was managing consultant, south western region, Coopers [redacted] Lybrand Deloitte.

■ Mr Alan Binder, a former presdent [redacted] Shell International Trading Company, [redacted] appointed non-executive [redacted] of UNITED [redacted] part [redacted] network [redacted] from September [redacted] is the holding [redacted] for Mills [redacted] UK; [redacted] International. Mr Binder will have particular [redacted]sibility [redacted] Mills [redacted] Allen.

■ CHARTERHOUSE TILNEY has promoted Mr Andrew Ramsbottom to director in the investment management division. Mr Ramsbottom will [redacted] the pension fund [redacted] by Mr Philip Okell.

■ BOSTIK [redacted] appointed Mr [redacted] Leake (pictured) [redacted] financial director and company secretary. He has been with the company for [redacted] years and [redacted] financial controller.

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AMERICANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
[illegible]	20⅞	Abbott Laboratories	32⅝	+⅛	$1.00	–	1.8
[illegible]	257p	Allegheny & W 1c	268p	–8	30c	–	6.6
10⅛	667p	Amdahl 5c	835p		10c	–	0.7
42½	25⅛	Amer. Cyanamid $5	38¾	–⅛	$1.50	–	2.3
17⅞	9 11/16	Amer. Express 60c	15⅞	–½	92c	–	3.4
24½	15¼	American T. & T. $1	23⅛	–¼	$1.32	–	3.4
38⅞	32½	Ameritech $1	37	–¼	$3.40	–	5.4
25⅞	12 [illegible]	BankAmerica $1 [illegible]	25½	–⅜	$1.20	–	2.8
35⅝	20 [illegible]	Bankers N.Y. $1	34¼	+[illegible]	$1.52	–	8.3
30½	24⅛	Bell Atlantic $1	29½	+[illegible]	$2.53	–	5.0
31¼	25	BellSouth Corp	29	+¼	$2.76	–	5.6
11¼	6 [illegible]	Bethlehem Steel $8	10⅝	–⅛	40c	–	2.2
1839p	1046p	Bowater Inc.	1589p	–28	$1.20	–	4.5
54¼	37 [illegible]	CPC Intnl. 25c	53 [illegible]	–[illegible]	$2.00	–	2.2
891p	420p	California Engy.	891p	+42	–		–
50	28¼	Campbell Soup 15c	49⅛	–[illegible]	$1.16	–	1.4
12¼	5 [illegible]	Chase Manhattan $12½	12 [illegible]	–[illegible]	$1.20	–	5.8
9 [illegible]	5½	Chrysler $6¼	7 [illegible]	–[illegible]	60c	–	5.1
10⅝	5⅞	Citicorp $1	8⅞	....	$1.00	–	6.7
25	21 [illegible]	Colgate-Palmolive $1	24⅛	...	$1.06	–	2.6
928p	438p	Cont'l Bank Corp $4	828p	–66	$1.00	–	7.1
21⅝	13 [illegible]	Dana Corp $1	17⅞	...	$1.60	–	5.3
1119p	203p	Data General	1119p	+39	–		–
22⅛	12⅞	Dial Crop $1.5	21½	+[illegible]	$1.40	–	3.8
29⅝	20¾	Dun & Bradstreet $1	26¼	...	$2.16	–	4.8
40	24¼	Eaton Corpn. 50c	38¾	+⅛	$2.20	–	–
8½	5½	Echlin Inc	7⅝	–⅛	70c	–	5.4
20⅛	14 [illegible]	FPL Group 1c	19⅝	...	$2.40	–	7.2
30 [illegible]	17 [illegible]	Fluor Corp 62½pc	25¼	–[illegible]	32c	–	0.7
23¼	13⅛	Ford Motor $1	18½	–[illegible]	$1.60	–	3.2
46 [illegible]	28 [illegible]	Gen. Elect. 63c	44¼	–[illegible]	$2.04	–	2.7
566p	270p	General Host Corp $1	470p	+8	34c	–	4.3
45¾	20⅞	Gillette $1	25¼	+⅛	62c	–	1.5
18⅛	794p	Hasbro Inc 50c	15¼	–⅛	24c	–	0.9
38½	21¼	Honeywell $1½	34 [illegible]	+[illegible]	$1.50	–	2.6
23⅛	17⅞	Houston Inds.	22 [illegible]	+[illegible]	$2.96	–	7.8
72 [illegible]	55 [illegible]	IBM Corpn $1¼	56⅞	–[illegible]	$4.84	–	5.0
32½	18 [illegible]	Ingersoll-Rand $2	29⅛	...	$1.32	–	2.7
28⅛	16⅛	Lockheed Crpn $1	25¼	–¼	$2.00	–	4.7
2155p	1245p	Lowe's 50c	2029p	+2	56c	–	1.6
18⅞	9½	Manuf. Hanover $1	17 [illegible]	–[illegible]	$3.28	–	11.1
26 [illegible]	10 [illegible]	Merrill Lynch $1	25 [illegible]	–[illegible]	$1.00	–	2.4
33⅞	21 [illegible]	Morgan (JP) $2½	33 [illegible]	–⅛	$1.98	–	3.5
43 [illegible]	25 [illegible]	Morris (Philip)	43¼	+¼	$1.72	–	2.3
46⅛	39	NYNEX $1	45	–¼	$4.56	–	6.0
89p	15p	Pac. Agricultural	15p	...	–		–
23⅞	11⅞	Pall Corp. 25c	23½	–⅛	44c	–	1.1
46⅛	33¼	Pennzoil 83 1/3c	40 [illegible]	+[illegible]	$3.00	–	4.4
40½	24⅞	Quaker Oats $5	36⅛	–[illegible]	$1.56	–	2.6
40⅞	24 [illegible]	Rep NY Corpn $5	40⅞	...	$1.40	–	2.0
17⅞	12⅛	Rockwell Intl. $1	15 [illegible]	–[illegible]	86c	–	3.4
25⅝	12 [illegible]	Sears, Roebuck 75c	24⅞	–[illegible]	$2.00	–	4.8
34⅛	25⅞	Southwestern Bell $1	32¼	–[illegible]	$2.64	–	5.1
20¼	14 [illegible]	Sun Co. Inc. $1	19⅛	+[illegible]	$1.80	–	5.6
27⅛	21⅛	Tenneco $5	24⅝	–[illegible]	$3.20	–	7.3
40½	29 [illegible]	Texaco $6.25	37½	+[illegible]	$3.20	–	5.0
26⅛	17⅛	Texas Instr. $1	18⅛	...	72c	–	2.3
64½	37⅞	Time Warner $1	50⅛	–⅛	$1.00	–	1.2
16⅞	8⅞	TRINOVA Corp	14½	+⅛	68c	–	2.8
538p	250p	Unilab	512p		–		–
29⅞	22⅛	Utd. Technologies	28⅞	–[illegible]	$1.80	–	3.7
92p	42p	Utilitech Inc.	82p		–		–
23	18¼	US West	21 [illegible]	+⅛	$2.08	–	5.7
162p	87⅞p	Varity Corp	147p	–1	$1.30	–	–
24 [illegible]	16⅝	Waste Management $1	23 [illegible]	–[illegible]	44c	–	1.1
2193p	1053p	Whirlpool $1	2193p	+10	$1.10	–	3.0
20 [illegible]	13½	Woolworth $3½	18 [illegible]	+⅛	$1.08	–	3.5

CANADIANS

[illegible]

For Varity see Americans

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

For Scottish Hydro-Electric see EQUITIES under LONDON RECENT ISSUES

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

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LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRANSPORT—Contd

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganization in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend; cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised [illegible] cover based on previous year's earnings. v Subject [illegible] Dividend cover in excess of 100 times. y Dividend [illegible] on merger terms. z Dividend and yield include a [illegible]: Cover does not apply to special payment. A Net [illegible] yield. B Preference dividend passed or deferred. C [illegible] Minimum tender price. F Dividend and yield based [illegible] or other official estimates for 1990-91. G Assumed [illegible] yield after pending scrip and/or rights issue. H [illegible] yield based on prospectus or other official estimates [illegible] Dividend and yield based on prospectus or other [illegible] estimates for 1990. L Estimated annualised dividend, [illegible] P/E based on latest annual earnings. M Dividend and [illegible] on prospectus or other official estimates for 1991-92. [illegible] and yield based on prospectus or other official [illegible] for 1989-90. P Figures based on prospectus or other [illegible] estimates for 1991. Q Gross. R Forecast annualised [illegible] cover and p/e based on prospectus or other official [illegible] T Figures assumed. W Pro forma figures. Z Dividend [illegible]

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock		Price	+ or -
Craig & Rose £1	β	640	......
Finlay Pkg. 5p	β	19	......
Holt (Jos) 25p	β	1975	......

IRISH

Stock	Price	+ or -
Cap. 8½% Ln. 2010	£94	+¼
9pc Cap Ln. 1996	£98¼	-¼
Fin. 13% 97/02	£112½	......
Arnotts	175	......
Helton Hldgs	43	......
IRG	130	......
United Drug	171	......

TRADITIONAL OPTIONS
3-month call rates

Industrials	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp	31
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons.	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd	39
ICI	[illegible]
Ladbroke	[illegible]
Legal & Gen	[illegible]
Lex Service	[illegible]
Lloyds Bank	[illegible]
Lucas Inds	[illegible]
Marks & Spencer	[illegible]
Midland Bk	[illegible]
Nat West Bk	[illegible]
P & O Dfd	51
Racal Elect	18
RHM	28
Rank Org Ord	63
Ratners	17
Reed Intal	36
Sears	8½
SmKl. Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	15
Unilever	60
Vickers	19
Wellcome	40

Property	
Brit Land	30
Control Secs	3
Land Securities	45
MEPC	40
Mountleigh	8½

Oils	
Ariva Petim	[illegible]
Bri[illegible]	[illegible]
Bu[illegible]	[illegible]
Conroy Petim	[illegible]
Gaelic Res	1
Premier	6
Shell	41
Tucker Res	2
Ultramar	30

[illegible]	
Lonrho	21
RTZ	40

This service is available to companies whose [illegible] are regularly traded in the United Kingdom for a fee of £1,15[illegible] year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth

Bishopsgate Progressive Mgmt Co (1200)F
15 James' Place, London SW1A 1NW

Brewin Dolphin Unit Tst Mgrs Ltd (0905)F
5 Giltspur St, London EC1A 9DE

Commercial Union Tst Mgrs—Contd.

Confederation Funds Mngt Ltd (1200)F
Lytton Way, Stevenage, Herts SG1 2NW

GA Unit Trust Mgrs Ltd (1000)H

GT Unit Managers Ltd (1200)H

Kleinwort Benson Unit Trusts (1400)F
10 Fenchurch St, London EC3

Marks & Spencer Unit Trust Ltd (1200)F

Marlborough Fund Managers Ltd (1630)F
57 Victoria Square, Bolton BL1 1LA

Martin Currie Unit Trusts Ltd (0905)H
45 Melville St, Edinburgh EH3 7HF

Murray Johnstone UT Mgmt (1000)H
7 West Nile St, Glasgow G1 2PX

NFU Mutual Unit Mngrs Ltd (1400)F
Admin. 5 Rayleigh Road, Hutton, Brentwood, Essex

RM Unit Trust Mngrs (1200)H
The Bilton Centre, North Harbour, Portsmouth

Rothschild Fund Management

Royal Life Fd Mgmt Ltd (1000)F
PO Box 34, Peterborough PE2 0UE

NW Investment Managers Ltd (0659)F
46 Court St, Haddington, E Lothian
NW Joint Investors

Maiden Unit Trust Managers Ltd
15 St Botolph St, London EC3A 7EE
Maiden General

Manulife Management Ltd
St George's Way, Stevenage

Morgan Grenfell Unit Tst Mgrs Ltd (1000)H
20 Finsbury Circus, London EC2M 1UT
Dealers 071-826 0826 Enquiries 071-826 0

	Init Charge	Bid Price	Canc. Price	Offer Price	+ or -	Yield Gr's
American Gwth	5¼	170.9	170.9	182.3	-0.5	[illegible]
European Gth Inc	5¼	199.6	199.6	212.6	+1.0	[illegible]
European Gth Acc	5¼	199.6	199.6	212.6	+1.0	[illegible]
Intl Gwth	5¼	142.8	142.8	151.9	-0.4	[illegible]
UK Equity Inc	5¼	121.6	121.6	130.8	-0.2	[illegible]
UK Equity Acc	5¼	136.9	136.9	147.3	-0.2	[illegible]
UK Ind Tracker Inc	5	125.5	125.5	133.9	-0.7	3.68
UK Ind Tracker Acc	5	136.4	136.4	145.5	-0.8	3.68
US Eq Ind Tracker Inc	5	149.6	149.6	160.4	+1.7	2.80
US Eq Ind Tracker Acc	5	154.4	154.4	165.6	+1.8	2.80
Japan Tracker	5	58.06	58.06	61.58	-0.17	0.00
Asian Tracker	5¼	84.39	84.39	90.31	+0.1	1.48
Managed Inc	5¼	101.6	101.6	109.3	+0.2	1.91
Managed Acc	5¼	103.2	103.2	111.1	+0.2	1.91
Cash Inc	0	100.43	100.43	100.43	+0.02	10.75
Cash Acc	0	110.28	110.28	110.28	+0.02	10.75
Europa	5¼	104.5	104.5	111.8	+0.1	0.00

Geoffrey Morley Unit Mgrs Ltd
3 Bedford Park, Croydon CR0 2AQ
Exempt Unit Tst
Exempt Smllr Cos

Guide to pricing of Authorised Unit Trusts
Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

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INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

AEGON Life Assurance Co (UK) Ltd

Allied Dunbar Assurance Plc

Albany Life Assurance Co Ltd

American Life Insurance Co UK

Avon Insurance Plc

Barclays Life Assur. Co Ltd

Black Horse Life Assurance

Britannia Life Assurance

Britannia Life Ltd

Canada Life Group

CCL Assurance Ltd

Cannon Assurance Ltd

Century Life Plc

Citibank Life

City of Westminster Assurance

Clerical Medical/Fidelity Investments

Clerical Medical Investments Group

Colonial Mutual Group

Commercial Union Group

Consolidated Life Assurance Co Ltd

Cornhill Insurance PLC

Crown Financial Management Ltd

Eagle Star Life Assurance Co Ltd

Eagle Star Insur./Midland Assur.

Economic Insurance Company Ltd

Equity & Law

Eurolife Assurance Company Ltd

Family Assurance Society

Friends Provident

GT Unit Managers Ltd

General Portfolio Life Insce Plc

Assicurazioni GENERALI SpA

Gresham Unit Assurance Ltd

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak

Henderson Administration

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Interlife Assurance Co Ltd

Irish Life Assurance Co Plc

Lancashire & Yorkshire Assce Society

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pensions) Ltd

Liberty Life Assurance Co Ltd

Life Association of Scotland

London Indemnity & Gnl. Ins. Co Ltd

London Life

Manchester Unity Assurance

Manulife Group (The)

Manulife Group—Contd.

Merchant Investors Assurance Co Ltd

Mercury Life Assurance Co Ltd

Midland Life Limited

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

M & G Pensions

NM Life Assurance Ltd

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

James Capel Fund Managers Ltd

Charities Official Investment Fund

Edinburgh Fund Mngs PLC

Fidelity Investment Services Ltd

Robert Fleming Asset Mgmt Ltd

Lazard Brothers & Co. Ltd

Henderson Unit Trust Management Ltd

INVESCO MIM Management Ltd

Local Authorities' Mutual Invest. Trust

M & G Securities Ltd

Morgan Grenfell Unit Trust Managers Ltd

Murray Johnstone UT Mngmt

Phillips & Drew Fund Management Ltd

Rothschild Asset Management

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

Touche Remnant Unit Trust Mngt Ltd

Three Counties Asset Mngmt Ltd

Wardley Unit Trust Mngrs Ltd

Woolwich Unit Trust Managers Ltd

United Charities Unit Trusts

[illegible]

Continued on next page

FT MANAGED FUNDS SERVICE

	Bid Price	Offer Price	+ or -	Yield Gross
N & P Life Assurance Ltd				
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348				
Life Managed Fd	108.8	114.6		–
Pension Managed Fd	108.0	113.6		–
Life Deposit Fd	109.0	114.7		–
Pension Deposit Fd	114.9	120.9		–
National Financial Management Corp PLC				
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539				
Life Funds				
Managed Cautionary	116.8	[illegible]	+2.7	–
Managed Growth	143.3	[illegible]	+3.1	–
Managed Opportunity	143.6	[illegible]	+3.3	–
NFMC Target Financial	105.8	[illegible]	-0.1	–
Pension Funds				
Managed Cautionary	127.1	133.8	+2.6	–
Managed Growth	151.6	159.6	+3.2	–
Managed Opportunity	143.8	151.4	+3.3	–
NFMC Target Mngd Pen	1568.6	1651.2	-2.9	–
National Mutual Life				
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422				
Harvester Pension Funds				
Managed	166.7	175.5	+3.5	–
UK Equity	178.2	187.6	+4.7	–
Overseas Equity	134.5	141.6	+4.4	–
Fixed Interest	149.3	157.2	+0.6	–
Property	133.5	140.6	+2.0	–
Index Linked	148.0	155.8	+0.7	–
Deposit	160.3	168.8	+0.3	–
With Profits (B)	131.1	138.3	+0.3	–
National [illegible] Institution				
48 Gracechurch St, London EC3P 3HH 071-623 4200				
Managed	360.4	379.4		–
UK Equity	458.2	482.4	+0.1	–
Overseas Eq	351.7	370.3	-0.7	–
American	296.6	[illegible]	+0.1	–
Far East	357.2	[illegible]	+1.4	–
Property	192.9	[illegible]		–
Fixed Int	265.1	[illegible]	+0.1	–
Indexed Gilt	156.4	[illegible]	+0.1	–
Deposit	184.6	[illegible]	..	–

	Bid Price	Offer Price	+ or -	Yield Gross
Providence Capital Life Assc. Co Ltd				
2 Bartley W[illegible], Hook, Hants RG27 9XA 0256 768888				
UK Equity Acc	234.5	247.4	+0.1	–
UK Fixed Int Acc	181.0	191.0	-0.4	–
Intl Equities Acc	178.6	188.5	+0.2	–
UK Managed Acc	177.9	187.6	+0.1	–
Property Acc	224.7	237.1		–
Money Acc	131.1	138.3		–
Special Market Acc	148.6	156.8		–
Japan Equity Acc	95.2	100.5		–
North American Acc	111.0	117.1	+0.6	–
Pacific Acc	93.2	98.4	+0.1	–
Technology Acc	124.9	131.8	+0.1	–
Nat Resources Acc	55.8	58.9	-0.1	–
European Acc	102.0	107.7	-0.6	–
Residential Prop Acc	96.3	101.6		–
Swiss Equities Acc	34.6	36.5	-0.1	–
Hong Kong Acc	68.7	72.5	-0.1	–
UK High Inc Eq Acc	76.0	80.2	+0.1	–
Int Fixed Inte[illegible] Acc	58.8	62.1		–
Int Managed Acc	57.2	60.3	+0.1	–
HIP Managed Acc	121.3	127.9		–
HIP Managed II Acc	103.5	109.1	+0.4	–
HIP Managed III Acc	110.4	116.4	+0.4	–
Total Investment Bond				
UK Equity Initial		159.4	+0.1	–
UK Fixed Int Initial		123.3	-0.3	–
Intl Equities Initial		120.7	+0.2	–
UK Managed Initial		121.1		–
Property Initial		154.1		–
Money Initial		89.6		–
Special Market Initial		115.3	+1.5	–
Japan Equity Initial		73.9	-0.1	–
North American Initial		86.1	+0.4	–
Pacific Initial		72.4	+0.1	–
Technology Initial		96.8		–
Nat Resources Initial		43.3	-0.1	–
European Initial		91.4	-0.6	–
Residential Prop Init		91.9		–
Swiss Equities Initial		32.9	-0.2	–
Hong Kong Initial		65.6		–
UK High Inc Eq Init		72.6	+0.2	–
Int Fixed Interest Init		56.9		–
Int Managed Init		55.4		–
HIP Managed Init		117.9		–
HIP Managed II Initial		101.9	+0.4	–
HIP Managed III Init		109.8	+0.3	–

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

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Baring International Fd Mngrs (Ireland) Ltd

Federated International Funds Plc.

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

John Govett – Contd.

Hill Samuel Fund Mgrs (Jsy) Ltd

JERSEY (REGULATED)

Scrimgeour Kemp-Gee Mngmt, Jersey

TSB Trust Funds (CI)

Target Internat. Management (Jersey) Ltd

Tyndall International (Jersey) Ltd

Warburg Asset Management Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

Gartmore Indosuez Funds – Contd.

Gartmore Luxembourg SA (a)

Henderson Management SA (a)

Wardley Investment Services – Contd.

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Target International Fund Ltd

Templeton Worldwide Investments

Top Bound Fund Intl-SICAV (a)

Transworld Bond Trust

US Pacific Stock Fund (a)

UniBank SA, Frankfurter I (a)

GT Management Plc – Contd.

GW Investment Mngmt Ltd

Mitsubishi Finance International Ltd

Morgan Stanley Japanese Warrant Fund NV

NM Financial Mngt Intl Ltd

The New Zealand Fund

Newport International Management

Nomura Warrant Fund 1990 Ltd

North Star Fund Managers (Cayman) Ltd

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar d[illegible]wn on GNP fall

THE DOLLAR'S decline yesterday was based [illegible] nomic considerations, [illegible] attention swung away from events in the Soviet Union.

It followed news that US [illegible] national product contracted by 0.1 per cent during the second quarter, revising last month's preliminary estimate of 0.4 [illegible] growth. This [illegible] third consecutive quarter that the economy shrank since the recession began in the middle [illegible] 1990.

Disappointment that [illegible] economy was still in recession at mid-year renewed speculation about lower US interest rates, despite comments by Mr John Laware, a Federal Reserve Board governor. He said recently that a cut in [illegible] US discount [illegible] not necessary and will [illegible] speed up [illegible] nomic recovery.

To [illegible] extent this view was support by indications in the GNP data that the economy [illegible] poised to [illegible]. This included a downward revision of $27.7bn in business inventories from the preliminary fall of $21.2bn. Economists noted that the lower the level of inventories the quicker the [illegible]omy [illegible] likely to rebound.

In the Far East the dollar had been strong, testing resis[illegible] DM1.7600, but [illegible] the London close [illegible] had fallen [illegible] DM1.7400, from [illegible] on Tuesday. The US currency also [illegible] to Y136.65 from Y[illegible] to SFr1.5175 [illegible] and [illegible] FFr5.9050 from FFr5.9375. On Bank of England figures the dollar's index slipped [illegible] 66.4 from 66.7.

The German Bundesbank council [illegible] today, but is not expected to change credit policies after increasing official interest [illegible] at [illegible] last meeting [illegible]. The last [illegible] was [illegible] reaction to rising inflation, but provisional figures released yesterday showed that year-on-year inflation in the western part of Germany slowed [illegible] 4.1 per cent in August from 4.4 per cent in July.

There [illegible] little impact on the D-Mark, which remained in the middle of the European exchange [illegible] mechanism, [illegible] steady against the Japanese yen. It [illegible] Y78.55 in London, compared with 78.30 on Tuesday, recovering from levels [illegible] around Y78.00 in early European trading.

Sterling improved against the weak dollar and was generally firm against its partners in [illegible] ERM, but did not have [illegible] obvious direction of its own. Domestic political events have [illegible] yet had [illegible] impact on the pound, but are expected to become a factor when the UK political party [illegible] take place in the latter part of September and early October.

Sterling rose 95 points to $1.6900. It also improved to [illegible] from DM2.9375; [illegible] FFr9.9800 from FFr9.9775; to SFr2.[illegible] from SFr2.5575; and to Y[illegible].00 from Y230.25. The pound's index climbed [illegible]

The Spanish peseta gained ground [illegible] top [illegible] the ERM, despite [illegible] in Madrid on speculation about further monetary easing by the Bank of Spain.

[illegible] IN NEW YORK

Aug 28	Latest	Previous Close
£ Spot	1.6900-1.6910	1.6800-1.6810
1 month	0.75-0.74pm	0.78-0.77pm
3 months	2.11-2.08pm	2.12-2.09pm
12 months	6.92-6.82pm	6.90-6.80pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

	£	$
...	[illegible]	[illegible]
Malaysia	4.7070 - 4.7150	2.7840 - 2.7860
Mexico	5138.90 - 5145.20	3048.00 - 3049.00
N.Zealand	2.9415 - 2.9455	1.7395 - 1.7420
Saudi Ar	6.2380 - 6.3150	3.7500 - 3.7510
Singapore	2.9080 - 2.9150	1.7210 - 1.7230
S.Af (Cm)	4.8485 - 4.8595	2.8640 - 2.8670
S.Af (Fn)	5.3680 - 5.4550	3.1745 - 3.2260
Taiwan	45.05 - 45.15	26.65 - 26.70
U.A.E.	6.3075 - 6.1845	3.6715 - 3.6735

* Selling [illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Aug 28	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	127.764	-4.39	5.76	76
Italian Lira	1538.24	1532.53	-0.37	1.50	25
Belgian Franc	42.4032	42.2565	-0.35	1.47	23
Dutch Guilder	2.31643	2.31462	-0.08	1.20	10
D-Mark	2.05586	2.05508	-0.04	1.16	11
Irish Punt	0.767417	0.768294	0.11	1.00	1
Sterling	0.696904	0.698299	0.20	0.92	-5
Danish Krone	7.84195	7.92555	1.07	0.05	-43
French Franc	6.89509	6.97229	1.12	0.00	-54

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Aug 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6725 - 1.6915	1.6895 - 1.6905	0.76-0.74cpm	5.33	2.10-2.07pm	4.93
Canada	1.9095 - 1.9280	1.9250 - 1.9260	0.43-0.38cpm	2.52	0.76-0.68pm	2.18
Netherlands	3.3075 - 3.3175	3.3075 - 3.3175	[illegible]	1.81	1¼-1pm	1.44
Belgium	60.30 - 60.65	60.55 - 60.65	13-9cpm	2.18	28-21pm	1.62
Denmark	11.3315 - 11.3650	11.3550 - 11.3650	[illegible]	1.39	[illegible]	1.04
...	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.81-3.76cpm. 12 Month [illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

[illegible]

Long term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2194.	[illegible]	[illegible]	[illegible]
$	[illegible]	1	1.740	136.7	5.905	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.340	[illegible]	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	[illegible]	[illegible]	12.73	1000.	[illegible]	11.10	14.34	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.002	[illegible]	[illegible]	[illegible]	10.	[illegible]	[illegible]	[illegible]	1.930	[illegible]	[illegible]
S Fr.	0.390	[illegible]	1.146	[illegible]	3.891	1	[illegible]	855.4	0.751	[illegible]	0.559
H Fl.	0.302	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1	[illegible]	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	1.340	[illegible]	[illegible]	[illegible]	1.510	1000.	[illegible]	[illegible]	[illegible]
C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.332	[illegible]	[illegible]	1	[illegible]	[illegible]
B Fr.	1.650	[illegible]	[illegible]	381.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	100.	[illegible]
ECU	0.697	1.179	[illegible]	161.1	[illegible]	1.789	[illegible]	1530	[illegible]	42.26	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100% — [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100% — [illegible]

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100% — [illegible]

LIFFE EURODOLLAR OPTIONS — [illegible]

LIFFE SHORT STERLING OPTIONS — [illegible]

LONDON (LIFFE)

[illegible]

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100%

	Close	High	Low	Prev.
Sep	[illegible]	[illegible]	84.75	84.71
Dec	[illegible]	[illegible]	[illegible]	84.89

Estimated volume 43349 (20421)
Previous day's open int. 90738 (90291)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low
Sep			
Dec		97.41	97.33

Estimated volume 397 (286)
Traded exclusively on APT

9% NOTIONAL ECU BOND ECU 200,000 100ths of 100%

	Close	High	Low	Prev.
Sep	99.62	99.65	99.40	[illegible]
Dec	99.49			

Estimated volume 124 (60)
Previous day's open int. 875 (866)

THREE MONTH STERLING * £500,000 points of 100%

	Close	High	Low	Prev.
Sep	89.33	89.33	89.29	89.29
Dec	89.85	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	89.89	[illegible]	[illegible]
Sep	[illegible]	89.80	89.78	[illegible]
Dec	89.70	89.70	[illegible]	[illegible]

Est. Vol. (inc. figs. not shown) 17761 (7837)
Previous day's open int. 138930 (137381)

THREE MONTH EURODOLLAR * $1m points of 100%

	Close	High	Low	Prev.
Sep	[illegible]	94.31	94.24	[illegible]
Dec	[illegible]	94.04	93.93	93.91
Mar	[illegible]	94.04	93.95	[illegible]
Jun	[illegible]	93.70	93.63	[illegible]

Est. Vol. (inc. figs. not shown) [illegible]
Previous day's open int. 40469 [illegible]

THREE MONTH EUROMARK * DM 1m points of 100%

	Close	High	Low	Prev.
Sep	90.75	[illegible]	90.73	90.74
Dec	90.72	[illegible]	[illegible]	[illegible]
Mar	90.93	[illegible]	[illegible]	[illegible]
Jun	91.08	[illegible]	91.07	[illegible]
Sep	91.20	[illegible]	91.20	[illegible]
Dec	91.30	91.30	91.30	91.29

Estimated volume 11031 (12647)
Previous day's open int. 129683 (131160)

THREE MONTH ECU ECU 1m points of 100%

	Close	High	Low	Prev.
Sep	90.19	90.19	90.14	90.16
Dec	90.26	90.27	90.24	90.25
Mar	90.57	90.61	90.61	90.58
Jun	90.75	90.79	90.79	90.75

Estimated volume 188 (147)
Previous day's open int. 5485 (5436)

THREE MONTH EURO SWISS FRANC SFR 1m points of 100%

	Close	High	Low	Prev.
Sep	92.04	[illegible]	[illegible]	92.02
Dec	92.30	[illegible]	[illegible]	92.27
Mar	92.58	[illegible]	92.57	92.57
Jun	92.75			92.75

Estimated volume 1771 (1726)
Previous day's open int. 20621 (20840)

FT-SE 100 INDEX * — [illegible]

FT-SE EUROTRACK 100 INDEX — [illegible]

* Contracts traded on APT after trading hours

CHICAGO

U.S. TREASURY BONDS (CBT) — [illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev.
[illegible]	94.66	94.67	94.64	[illegible]
[illegible]	94.64	94.66	94.60	[illegible]
Mar	94.63	[illegible]	94.63	[illegible]
Jun	-	[illegible]	-	[illegible]
[illegible]	-	93.91	-	[illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep	0.6562	[illegible]	0.6533	[illegible]
Dec	0.6530	[illegible]	0.6498	[illegible]
Mar	-	-	-	[illegible]

JAPANESE YEN (IMM) — [illegible]

DEUTSCHE MARK (IMM) — [illegible]

THREE-MONTH EURODOLLAR (IMM) — [illegible]

STANDARD & POORS 500 INDEX — [illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec
1.625	6.70	6.08	6.42	6.63
[illegible]	3.51	4.18	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	3.31	3.67
1.700	[illegible]	1.65	2.31	2.68
[illegible]	[illegible]	0.95	1.53	1.92
[illegible]	[illegible]	0.50	0.97	1.32
1.775	-	[illegible]	[illegible]	0.87

Puts — [illegible]

Previous day's open int: Calls 286,988 Puts 323,161 (All currencies)
Previous day's volume: Calls 5,032 Puts [illegible] (All currencies)

PARIS

[illegible] YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

	Open	Sett price	Change	High	Low	Yield
[illegible]	[illegible]	[illegible]	+0.42	[illegible]	[illegible]	[illegible]
December	105.78	106.14	+0.44	[illegible]	[illegible]	[illegible]
March	105.74	106.12	+0.46	[illegible]	[illegible]	[illegible]
June	-	106.12	+0.46			

Estimated volume 76,055 Total Open Interest 110,880

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Sett price	Change
[illegible]	90.57	90.59	+0.03
December	90.69	90.71	+0.03
[illegible]	90.83	[illegible]	+0.04
June	-	90.92	[illegible]

Estimated volume 8,227 Total Open Interest 50,496

CAC-40 FUTURES (MATIF) Stock Index

	Open	Sett price	Change
[illegible]	1850.0	1851.5	+2.0
[illegible]	[illegible]	1866.5	+2.5
[illegible]	1876.5	[illegible]	+2.0
December	1913.5	[illegible]	-4.5

Estimated [illegible] Total Open Interest 16,955

ECU BOND (MATIF)

	Open	Sett price	Change
September	[illegible]	105.44	+0.32
December	105.42	105.48	+0.34

Estimated volume 1,126 Total Open Interest 2,877

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
102	-	-	-	-	0.08	-
103	-	-	-	-	0.14	-
104	2.08	-	-	-	0.27	0.69
105	1.00	[illegible]	-	[illegible]	0.50	-
106	0.13	1.02	1.39	[illegible]	0.91	1.41
107	-	0.58	-	-	-	-
[illegible]	116,503	82,681	27,[illegible]	95,2[illegible]	55,381	28,650

[illegible] volume 28,463 Total [illegible] Interest 410,946

BASE LENDING RATES

	%		%		%
Adam [illegible] Company	11	Co-operative Bank	11	McDonnell Douglas [illegible]	11
Allied Trust Bank	11	Coutts & Co	11	Midland Bank	11
AIB Bank	11	Cyprus Popular Bk	11	Mount Banking	11
● Henry Ansbacher	11	Dunbar Bank PLC	11	NatWestminster	11
B & C Merchant Bank	11	Duncan Lawrie	11	Northern Bank Ltd	11
Bank of Baroda	11	Equatorial Bank plc	11	Nykredit Mortgage Bank	12
Banco Bilbao Vizcaya	11	Exeter Bank Limited	11½	Provincial Bank PLC	14
Bank of Cyprus	11	Financial & Gen. Bank	11.5	Roxburghe Bank Ltd.	12
Bank of Ireland	11	First National Bank Plc.	14	Royal Bk of Scotland	11
Bank of India	11	● Robert Fleming & Co.	11	● Smith & Willmsn Secs.	11
Bank of Scotland	11	Robert Fraser & Ptnrs.	11½	Standard Chartered	11
Banque Belge Ltd	11	Girobank	11	TSB	11
Barclays Bank	11	● Guinness Mahon	11	Unibank plc	11
Benchmark Bank	11	● Hambros Bank	11	● United Bk of Kuwait	11
Brit Bk of Mid East	11	Hampshire Trust Plc	13.5	Unity Trust Bank Plc	11
● Brown Shipley	11	Heritable & Gen Inv Bnk	11	Western Trust	11
CL Bank Nederland	11	● Hill Samuel	11	Westpac Bank Corp.	11
Citibank NA	11	C. Hoare & Co.	11	Whiteaway Laidlaw	11
City Merchants Bank	11	Hongkong & Shanghai	11	Yorkshire Bank	[illegible]
Clydesdale Bank	11	● Leopold Joseph & Sons	11		
Comm.Bk.of London Plc	11	Lloyds Bank	11		
		Meghraj Bank Ltd	11		

● Members of British Merchant Banking & [illegible] Association.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6900	1.6825	1.6691	1.6521	1.6219

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Sep	[illegible]	1.6806	1.[illegible]	[illegible]
Dec	1.6584	1.6606	1.6502	1.6550
Mar	-	1.6430	1.6350	1.6390

MONEY MARKETS

Rates little changed

LACK [illegible] and expectations that UK bank [illegible] will remain [illegible] present level for some time, kept wholesale rates steady in London yesterday.

Three-month sterling interbank was unchanged at 10⅞-10¾ per cent [illegible]d 12-month money was steady [illegible] 10$\frac{11}{16}$-10⅝ per cent.

Trading remained subdued in short sterling futures on Liffe. September delivery rose to 4 basis points to 89.33, while [illegible] gained 7 points to 89.86, reflecting greater confidence of base rate cuts by delivery [illegible] the [illegible] contract.

Day-to-day [illegible] was in very short supply on the cash market and for the second day running the authorities took out most of this with very large early assistance. This took upward pressure off overnight [illegible], improving the trading conditions [illegible] market operators, and indicating that the Bank of England does not [illegible] any immediate danger of a move to lower [illegible] rate structure.

A shortage [illegible] £1,150m was initially forecast, but this [illegible] to £1,350m [illegible] noon. Help of £1,220m was provided.

In early operations the authorities bought £1,050m bills, including [illegible] bank bills outright in band 1 [illegible] cent. [illegible] £800m bills [illegible] purchased for [illegible] to the [illegible] in equal [illegible] on September 11 and 12 at an [illegible] rate of 10$\frac{11}{16}$ per cent. A [illegible] £100m bank bills were bought outright [illegible] lunch, in band 1 at [illegible] per [illegible].

In the afternoon £70m bills were purchased outright, by way of £23m Treasury bills in band 1 at [illegible] cent and £47m bank bills in band 1 at 10⅞ per cent.

Bills maturing in official hands, repayment of late assistance and [illegible] take-up of Treasury bills drained £641m, with [illegible] unwinding of repurchase agreements on bills absorbing £1,190m and bank balances below target £70m. These outweighed exchequer transactions adding £710m to liquidity and a fall in the [illegible] circulation of £50m.

In Frankfurt the German Bundesbank added liquidity to the money market as call money rose towards the 9.25 per [illegible] Lombard rate. The call [illegible] stabilised at around 9.20 per cent, against [illegible] per [illegible] on Tuesday, [illegible] the central bank added funds under section 17 of [illegible] Bundesbank [illegible]. This [illegible] money held on behalf of public authorities that can be made [illegible] to the [illegible] short term basis.

UK clearing bank base lending rate 11 per cent from July 12, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug.28) 3 months US dollars		6 months US Dollars	
bid 5½	offer 5$\frac{11}{16}$	bid 5½	offer 5$\frac{11}{16}$

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	8½	One month	5.24	Three year	6.68
Broker loan rate	7¼	Two month	5.44	Four year	6.83
Fed.funds	5½	Three month	5.49	Five year	7.34
Fed.funds at intervention	-	Six month	5.61	Seven year	7.69
		One year	5.72	10-year	7.86
		Two year	6.36	30-year	8.10

Aug.28	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.10-9.20	9.00-9.15	9.05-9.20	9.10-9.25	9.25-9.40	9.25
Paris	9-9⅛	9⅛-9¼	9⅛-9¼	9⅛-9½	9½-9⅝	9.25
Zurich	7⅞-8⅛	8-8¼	-	7⅞-8⅛	-	-
Amsterdam	9.00-9.12	9.12-9.18	-	9.22-9.32	-	-
Tokyo	7⅛-7½	7⅞-7⅞	-	7⅞-7⅞	-	-
Milan	10⅞-11⅛	11⅛-11⅛	-	11⅞-12	-	-
Brussels	8.87-9.00	9-9⅛	-	9⅞-9⅞	-	-
Dublin	9⅞-10⅛	9$\frac{15}{16}$-10$\frac{1}{16}$	9$\frac{15}{16}$-10$\frac{1}{16}$	9$\frac{15}{16}$-10$\frac{1}{16}$	9$\frac{15}{16}$-10$\frac{1}{16}$	-

LONDON MONEY RATES

Aug 28	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11¼	11	11	10⅞	10¾	10$\frac{11}{16}$
Interbank Bid	9¾	10$\frac{11}{16}$	10⅞	10¾	10⅝	10⅝
Sterling CDs	-	-	10$\frac{11}{16}$	10$\frac{13}{16}$	10⅝	10$\frac{11}{16}$
Local Authority Deps.	11	11	10$\frac{15}{16}$	10⅞	10⅝	10⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10¼	10¾	10$\frac{15}{16}$	10⅝	-	-
Company Deposits	-	-	11⅛	10⅞	10¾	10¾
Finance House Deposits	-	-	11	10$\frac{13}{16}$	10⅝	10⅝
Treasury Bills (Buy)	-	-	10$\frac{15}{16}$	10$\frac{11}{16}$	9⅞	-
Bank Bills (Buy)	-	-	10$\frac{15}{16}$	10⅝	10	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	5.65	5.70	5.80	6.02
SDR Linked Dep. Offer	-	-	7⅞	7½	7½	7⅝
SDR Linked Dep. Bid	-	-	7⅛	7⅜	7⅜	7½
ECU Linked Dep. Offer	-	-	9⅞	9⅞	10	10
ECU Linked Dep. Bid	-	-	9⅝	9⅝	9⅞	9⅞

Treasury Bills (sell): one-month [illegible] per cent; three months 10¼ per cent; six months [illegible] per cent; Bank Bills (sell): one-month 10⅞ per cent; three months 10¾ per cent; Treasury Bills: Average tender rate of discount 10.1508 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day July 31, 1991. Agreed rates for period Aug 26, 1991 to September 24 1991, Scheme I: [illegible] p.c., Schemes II & III: 12.38 p.c. Reference rate for period June 29, 1991 to July 31, 1991, Scheme IV&V: 11.138 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11½ from August 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 10 per cent; three-six months 9½ per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7½ per cent from July 15, 1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES—Gross. Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Net rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. Compounded Annual Rate. Int Crd: Frequency at which interest is credited to the account.

JOTTER PAD

CROSSWORD

No.7,632 Set by DINMUTZ

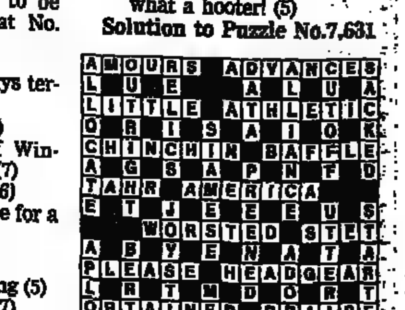
ACROSS

1 [illegible] on the [illegible] raise the tone (6)
4 [illegible] language derived [illegible] plain English? (6)
8 [illegible] place in which schoolboy Brown retained £25? (7)
9 Isn't Ted upset when he drills? (7)
11 Workshop [illegible] making [illegible]
12 I am [illegible] of 5 dn [illegible]
13 Reversible canoe (5)
14 Brie, alas, is off for [illegible] satirist (8)
[illegible] Playing sitar, attempt [illegible] show brilliance (8)
18 Architects' order – to be endlessly agreeable at No. 10 (5)
20 Dark blue water? (4)
21 These sheets are always terribly cold (10)
23 Late dance or ball (4,3)
24 Anger in acreage of Win[illegible], for example (7)
25 Book Three's revised (6)
26 Credit always available for a writer (6)

DOWN

1 A most unusual opening (5)
2 Mockery of a defence (7)
3 [illegible] bread, these days, is wrapped? (3-6)
[illegible] Keen to have churchyard [illegible]
6 Building society's deposit? (7)
7 In masonic order, he is kept alert (9)
10 Go steady with policemen in enclosed ground (9)
13 Moderates language, we hear, at pavement-edge (9)
15 [illegible] an officer, I gad about in Rose's embrace (9)
17 Visible acumen? (7)
19 One who tends track in race for two-year-olds (7)
21 Pair to receive decoration for [illegible]
22 Fascinating woman but what a hooter! (5)

Solution to Puzzle No.7,631



WORLD STOCK MARKETS

AUSTRIA

[illegible]	Sch	+ or −
Austrian Airlines	2,848	−4
Creditanstalt	[illegible]	+1
EA General	3,900	
EVN	854	+7
Jungbunzlauer	9,610	+10
Laenderbank	1,040	+10
OeMV	971	+19
Perlmooser Zement	1,730	−50
Radex Heraklith	765	−7
Reininghaus Brau	1,970	
Steyr Daimler	347	−10
Veitscher Magnesit	525	−2
Verbund (Br) A	510	+4
Wienerberger	5,330	−50

BELGIUM/LUXEMBOURG

August 28	Frs.	+ or −
ACEC-Union Min	2,360	−10
Arbed	4,660	+100
BBL	2,655	−5
Bank Intl a Lux	10,500	....
Banq Gen Lux Pts	12,200	
Barco	1,046	−2
Bekaert	9,260	+20
CBR Ciment	7,640	−10
Cobepa	4,990	−10
Cobepa AFV 1	4,850	−30
Cockerill Priv	176	+1
Colruyt	3,615	+30
Delhaize Frs Lion	7,830	....
Electrabel	4,475	−20
Electrabel AFV	4,460	−
Electrafina ACT	2,770	....
Fabrique Nat	104	
GBL	3,330	+6
GBL AFV 1	[illegible]	[illegible]
GIB Group	[illegible]	[illegible]
GIB Group AFV	1,222	−14
Gechem	650	
Gechem AFV	602	−10
Generale Banque	5,200	
Gen Banque AFV1	[illegible]	−40
Gevaert	6,480	
Kredietbank	4,010	+10
Kredietbk AFV	3,945	−5
Pan Holding Lux	13,700	....
Petrofina	11,450	−50
Powerfin	2,370	−20
Powerfin AFV	2,340	−10
Royale Belge	4,055	−25
Royale Belge AFV1	3,860	−65
Soc Gen Belge	2,280	+30
Soc Gen Belge AFV	2,250	
Sofina	11,425	−25
Solvay	12,675	−25
Tessenderlo	6,060	−130
Tessenderlo AFV	5,980	
Tractebel	7,900	−70
Tractebel AFV 1	7,810	−40
UCB	18,000	−100
UCB AFV	17,375	+150
Wagons Lits	6,840	−10
Wagons Lits AFV	6,450	....

DENMARK

August 28	Kr	+ or −
Baltica Holding Reg	775	....
Bikuben	332	−3
Carlsberg A	1,860	+10
D/S 1912 A	105,500	−800
Danisco	1,030	....
Den Danske Bank	332	−3
East Asiatic	195	−1
FLS Ind B	806	−3
Great Nordic	450	....
Hafnia Invest A	737	....
ISS Intl Serv B	834	−4
Jyske Bank Reg	371	−4

FRANCE (continued)

August 28	Frs.	+ or −
Beghin-Say Cert Inv	476	+6
Bongrain	2,445	+5
Bouygues	576	[illegible]
CGIP	1,090	+4
C M B Packaging	155.90	+3.90
Canal+	1,083	−4
Cap Gemini S	347	+3
Carrefour	2,077	+15
Casino	140.40	−2.60
Cetelem	790	[illegible]
Chargeurs	[illegible]	−5
Club Mediterranee	[illegible]	+2
Cogifi	315	−11
Coparex	584	+3
CCF	166.60	+1.60
Cr Fonc France	1,138	−13
Cred Lyon (CI)	490	−10
Credit National	[illegible]	+6
Darrart	[illegible]	+24
Docks de France	[illegible]	+1.80
Dollfus Mieg Cie	329	+1
EBF	774	+24
[illegible] Cie Genl	[illegible]	−8
Ecco	[illegible]	+12
[illegible]	383	+4.50
[illegible] Certs	223.50	+1.50
Essilor [illegible]	328	+5
Esso	1,730	+5
Eurafrance	1,560	−2
Eurocom	820	+10
Euro Disney	138	+2
Ezor	1,330	−20
Finextel	117	−0.50
Fonc Lyonnaise	690	−38
From C et Aux	2,415	+75
GTM-Entrepose	417	
Gal Lafayette	1,500	−80
Gaumont (Soc N)	770	+10
Gen Occidentale	771	+3
Geophysique	745	+10
Hachette	185	+6
Havas	524	+6
Imetal	289.50	+4.30
Imm de France	1,030	−10
Immobanque	640	+8
Immob Phenix	172.10	−3.90
Industrielle	5,000	
Interbail	455	−1
Intertechnique	1,000	−15
LVMH	4,466	−32
Lafarge Coppee	361.80	−0.20
L'Oreal	626	+6
Legrand	3,711	−9
Lyon Eaux Dumez	552	+3
Matra	188.70	−2.40
Merlin-Gerin	524	−2
Michelin B	122	+4.40
Moulinex	160	+1
Navigation Mixte	1,149	+8
Nord Est	112	+1.90
Orsan	174	−4
Paribas	423.80	−2
Paris Rescompte	265	+12.90
Pernod Ricard	1,228	−12
Perrier	1,338	−6
Peugeot	635	+2
Pinault	284	+9
Poliet	419.30	−5.70
Printemps (Au)	882	+15
Promodes	2,308	+3
Radiotechn	520	+10
Redoute	4,197	+47
Rhone Poulenc Cis	392	+1
Roussel-Uclaf	1,810	+8
SILIC	575	−3
Sagem	1,650	+10
Saint Gobain	468.60	−1.40
Saint Louis	1,455	+3
Sanofi	900	−1
Schneider	721	−27
Seb SA	1,662	+32
Sefimeg	425	
Simco	454	+3

GERMANY (continued)

NETHERLANDS

SWEDEN (continued)

SWITZERLAND

NORWAY

SPAIN

ITALY

SOUTH AFRICA

SWEDEN

JAPAN

AUSTRALIA (continued)

HONG KONG

AUSTRALIA

MALAYSIA

SINGAPORE

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

3:15 pm August 29

MONTREAL

3:00 pm August

INDICES

NEW YORK

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA

TORONTO

TOKYO - Most Active Stocks

Wednesday, 28 August, 1991

3:15 pm prices August 28

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

US and Canada prices: Owing to technical problems, the day's changes shown in the edition of Tuesday August 27 were incorrect.

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

26¼	25¾	Utilicorp				11	25¾	25¾	+⅛

NASDAQ NATIONAL MARKET

3:15 pm prices August 28

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]		35	1622	28¼	27¾	28¼	
XL Data		37	1025	u12½	12	12½	+⅛
Xoma Corp		10	9194	20	19¼	19½	+⅛
Yellow Fr	0.94	15	1078	32⅞	31	31½	−1⅛
York Rsch		45	613	5⅞	5½	5½	−⅜
ZionsUtah	1.44	10	48	u50	48¾	48¾	−¼

AMEX COMPOSITE PRICES

3:15 pm prices August 28

Prices supplied by Telekurs

FINANCIAL TIMES

Thursday August 29 1991

AMERICA

Dow tests all-time high on interest rate hopes

Wall Street

SPORADIC BUYING helped share prices to test their record closing highs yesterday morning, after an unexpected downward revision to [illegible] quarter gross national product figures raised hopes of an interest [illegible] cut, *writes Patrick Harverson in [illegible] York.*

By 1 pm the Dow Jones Industrial Average [illegible] up 16.55 [illegible] 3,042.71, just above Friday's record closing high of 3,040.25. The more broadly-[illegible] Standard [illegible] Poor's [illegible] [illegible] also firmer, up 1.56 [illegible] 394.62 [illegible] 1 pm. The Nasdaq composite of over-the-counter stocks outperformed leading indices, rising [illegible] to [illegible]. Turnover on the NYSE remained light, with 96m shares traded by 1 pm. [illegible] outpaced declines by [illegible] to 577.

In spite of yesterday's gains, analysts expect the market to stay in [illegible] trading corridor between 3,000 and 3,050 until the August employment figures [illegible] released a week [illegible] Friday. Investors remain confident that the Federal Reserve will cut interest rates [illegible] stimulate the economy further. Yesterday's revision of the July GNP figure, reduced from an original estimated 0.4 per cent rise [illegible] a 0.1 per cent decline, confirmed that the *economy's revival from* [illegible] sion is proving to [illegible] slower than than expected.

Among individual issues, Bolar Pharmaceutical soared $2½ to [illegible] the American [illegible] Exchange after the company agreed to [illegible] ment regarding [illegible] lawsuit brought by Smithkline Beecham [illegible] Bolar's manufacture of a generic version of [illegible] drug, Dyazide. The [illegible] Smithkline ADRs up $1⅜ [illegible] $66⅝.

Elsewhere in the sector Schering-Plough put on [illegible] after the [illegible] Patent and Trade Office issued the [illegible] pany a product patent for human inter-lenkin-4, [illegible] naturally-occuring protein which may [illegible] effective in stimulating the body's immune system and helping in the treatment of tumours, leukemia [illegible] lymphomas.

Salomon held [illegible] well in [illegible] face of [illegible] downgrade of the group's senior debt by Moody's, the ratings agency. A lowering of Moody's ratings [illegible] expected, [illegible] by midsession yesterday Salomon shares [illegible] up $⅛ [illegible] $25⅞.

Stocks with links to Mexico continued [illegible] from the improving Mexican economy. Latin American Investment Fund jumped $2¼ [illegible] and Telefonos [illegible] Mexico, [illegible] munications giant, [illegible] at $37½.

Continental Bank slipped $⅛ to $13⅞ after Keefe Bruyette [illegible] Woods, the broking house, cut its [illegible] profit estimates for [illegible] bank because [illegible] loan-loss provisions may have to be increased substantially for the third quarter.

On [illegible] over-the-counter market, Liposome [illegible] to $11 in heavy trading after [illegible] analyst at Hambrecht [illegible] Quist repeated his "buy" rating [illegible] the [illegible] and favourable clinical trials of the company's anti-fungal drug [illegible] reported.

Furon fell [illegible] to $10⅝ [illegible] news [illegible] the [illegible] of industrial components earned only [illegible] cents [illegible] during [illegible] second quarter, compared with [illegible] a [illegible]. The results [illegible] well below analysts' forecasts.

Canada

TORONTO [illegible] holding its ground [illegible] midday, but [illegible] prices were confined [illegible] in [illegible] trading as [illegible] the quarterly results [illegible] Canadian banks.

The [illegible] index rose [illegible] to 3,520.2 [illegible] shares. [illegible] by 217 [illegible] with 228 unchanged. Among [illegible] advancing issues, Seagram [illegible] C$1⅛ to C$114½ and SNC [illegible] A [illegible] by C$1¼ to C$18⅛.

Deprenyl [illegible] on [illegible] it [illegible] signed an agreement for world-wide rights [illegible] treating skin [illegible].

SOUTH AFRICA

JOHANNESBURG [illegible] gains as [illegible] days [illegible] trading. The all-share [illegible] put on [illegible] to 3,394, helped by [illegible] 22-point [illegible] in the industrial index [illegible] 4,119. The all gold index improved by [illegible] 1,127.

KLSE doubts confirmed by money supply move

Lim Siong Hoon says that Malaysia's economic growth is being overshadowed by interest rates

THE [illegible] *Kuala Lumpur* [illegible] exchange had already seen better days, and foreign fund managers were on their way out, when Bank Negara, the Malaysian central bank, announced [illegible] August 14 that it was going to tighten money supply.

Its intervention was [illegible] *a confirmation of what foreign* investors [illegible] long thought about [illegible] rate, officially at [illegible] cent, is understated; that the rapid deterioration [illegible] the current account deficit [illegible] forecast [illegible] year, compared to M$4.6bn [illegible] year) was [illegible] tackled by half measures; and that a [illegible] Malaysian dollar, combined with artificially low interest [illegible] was [illegible] recipe for trouble.

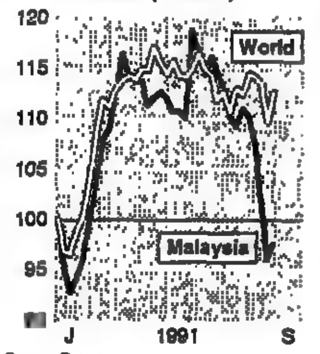
These concerns have overshadowed [illegible] 7.5 [illegible] growth forecast for the Malaysian economy [illegible] year. For equities, they took [illegible] downward consolidation and turned it into [illegible] bear market.

The KLSE composite [illegible] had reached [illegible] 1991 high of [illegible] on May 29, [illegible] rise of 34 [illegible] cent from the year's low of 470.41 on January 16 during the Gulf crisis. By [illegible] of July [illegible] index still [illegible] 602.32, but it dropped 10 [illegible] cent in the first [illegible] of August, taking [illegible] biggest tumble of [illegible] on August [illegible] when it fell [illegible] or [illegible] per cent, [illegible] 550.92 in [illegible] to [illegible] government's decision [illegible] abandon its policy of keeping interest [illegible] artificially low.

"In the normal [illegible] of things, the Bank [Negara] hardly causes [illegible] flutter in the market. This [illegible] it was *instructive,*" *says* [illegible] *Lau Yew* Kong, research manager [illegible] CIMB Securities.

In an emerging market like Malaysia's, equity activity has much [illegible] of [illegible] correlation with domestic interest rates than European bourses, which [illegible] sensitive [illegible] issue at [illegible] moment. Malaysian companies

FT-A [illegible] in local currencies (rebased)



Source: Datastream

are generally lowly-geared, [illegible] Mr David [illegible] Asia Equity in London, and [illegible] complications [illegible] that Malaysian equities [illegible] so low-yielding to [illegible] foreign investor [illegible] *dividend yield* [illegible] *a negligi*[illegible] incentive.

But this time the market's performance was already weakened by Tokyo's influence and overshadowed by Hong Kong's strength. Kuala Lumpur has [illegible] jaded too, [illegible] ing complaints about insider trading and illegal [illegible] tions.

This time the monetary restrictions were aimed directly at [illegible]. Ana*lysts* [illegible] *that unless* [illegible] double-digit growth [illegible] aggregate demand eases, more restrictions will follow. Thus, local investors followed the foreign selling.

Finance shares, and [illegible] stocks like Oriental, Tanjong and United Motor Works (UMW) which more than doubled their *pre-tax profits* last year, [illegible] heavily [illegible] limited the proportion of [illegible] which can be given [illegible] purchase of [illegible] new car. The [illegible] Malaysian dollar was already biting into some pro[illegible] UMW, [illegible] local assembler of Japan's Toyota cars, reported [illegible] mid-year, 3 per cent drop in *pre-tax profit* in spite of an 11 per cent rise in sales.

The government's policy of keeping [illegible] rates artificially low, aimed [illegible] supporting investment, had increasingly shifted savings from bank deposits into the equity market, property and consumer goods. Within th[illegible] equity market, [illegible] was diverted to [illegible] issues which [illegible] frequently underpriced. Until mid-August [illegible] have been 16 [illegible] issues this year, and 40 [illegible] still pending.

There seems little appetite for existing equity stocks. [illegible] ten days have [illegible] a mini-[illegible] on the [illegible] coup, a recovery on its failure and, in [illegible] past three days, a return [illegible] decline, a fraction [illegible] time. Lethargy, liquidation of positions [illegible] buying [illegible] port [illegible] the KLSE index down [illegible] yesterday to [illegible] and, with investors still [illegible] prices are expected to drift lower still.

EUROPE

Continent digests crop of interim results

THE CONTINENT digested [illegible] crop of interim results yesterday, while [illegible] was brought [illegible] virtual [illegible] by [illegible] latest trading scandal, *writes Our [illegible] Staff.*

MILAN [illegible] very short session [illegible] week's revela[illegible] a [illegible] fraud suggested that [illegible] settlement of the August account, [illegible] on Friday, would be postponed. Investors [illegible] reluctant [illegible] make new commitments [illegible] of the likely delay, [illegible] posed foreign exchange problems for foreign investors wishing [illegible] their August transactions. [illegible] Comit index [illegible] 2.3 [illegible] in turnover estimated [illegible] Tuesday's [illegible] L52bn.

After [illegible] *close,* [illegible] brokers [illegible] deposited L85bn worth of stock [illegible] the [illegible] bank which [illegible] the victim of the fraud declared [illegible] insolvent [illegible] failing [illegible] deliver [illegible] by yesterday's *deadline.*

There were [illegible] bright spots [illegible] market. Mr Fran[illegible] Ricciulli of Paribas in London [illegible] he favoured stocks likely [illegible] benefit from the Italian government's decision to spend [illegible] *trillion (million* million) over the next 10 years on [illegible] high-speed train.

FT-SE Eurotrack 100 - Aug 28							
Hourly changes							
Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	[illegible]
1121.13	1121.73	1122.70	[illegible]	1121.75	1121.16	1121.46	1121.03
Day's High 1123.04				Day's Low [illegible]			
Aug 27	Aug [illegible]	Aug [illegible]	Aug 21	Aug 20			
1118.91	1112.34‡	1108.61	1100.53	1068.99			

Base value 1000 [illegible] ‡ Corrected.

Ansaldo Trasporti, which [illegible] contracts [illegible] 10 per [illegible] of the [illegible] investment, rose L110 [illegible] per cent [illegible] L4,750.

[illegible] state-controlled cement [illegible] Cementir gained a further L111 [illegible] L2,611 on rumours that the [illegible] group IRI [illegible] planning an [illegible] *price of* [illegible] privat[illegible] the [illegible] of Cementir.

PARIS showed [illegible] vulnerability to rumour. [illegible] CAC 40 [illegible] ended up 2.16 [illegible] 1,851.83 in an optimistic session, buoyed up by [illegible] the *futures market which* suggested that [illegible] index [illegible] soon reach [illegible]. Volume [illegible] at FFr2.3bn [illegible] Tuesday's FFr1.7bn.

Euro Disney [illegible] on speculation that [illegible] *might* [illegible] on [illegible] profits. [illegible] Spie *Batignolles put* [illegible] FFr510 on rumours [illegible] its majority shareholder, Schneider, would sell all or part of its holding. [illegible] denied [illegible].

The department [illegible] chain Printemps [illegible] FFr15 to [illegible] on [illegible] that [illegible] family would [illegible] controlling [illegible] in [illegible] company because [illegible] at [illegible] US operations.

[illegible] closed FFr4.4 higher at [illegible] new high for 1991 of FFr122, [illegible] hopes [illegible] an [illegible] nomic recovery in [illegible] US *would* [illegible] *replacement tyre* sales.

FRANKFURT hardly emerged from [illegible] shell, [illegible] DAX eventually ending [illegible] day just [illegible] higher [illegible] 1,674.50 [illegible] [illegible] 0.27 to [illegible] in [illegible] *Volume* in Frankfurt [illegible] down [illegible] against DM2.3-2.4bn on Tuesday. Mr Hans-Peter Wodniok of [illegible] Capel said that it was reassuring [illegible] the indices had risen [illegible] all in spite of the low volume.

The chemical results [illegible] started with [illegible] slight decline in profits from Bayer, indicating [illegible] slight improvement in the month of June [illegible]. The [illegible] 40 [illegible] to DM277.70.

The diversified steel com[illegible] rose DM1.60 to DM281.80 in spite of a 65 per [illegible] drop [illegible] pre-tax level [illegible] rumours [illegible] a foreign bid [illegible].

Meanwhile, the motor industry [illegible] continued with Volkswagen rising DM4 [illegible] DM382, BMW flat and Porsche DM10 lower [illegible] DM745. Mr Wodniok [illegible] launch [illegible] VW's new Golf model has [illegible] the market, with the Frankfurt [illegible] upcoming [illegible] month.

AMSTERDAM [illegible] uninspired by yesterday's interim [illegible] *The* [illegible] Tendency [illegible] at 91.3, up just 0.1 in generally thin trading.

Aegon, the insurer, [illegible] to FFr117.70 on disappointment [illegible] proposed 10 [illegible] in [illegible] interim dividend. *Buehrmann* [illegible] recouped Fl 2.20 [illegible] Fl 46.40 after Tuesday's 3.9 per [illegible] drop in anticipation [illegible] *its* [illegible] interim results. [illegible] company said yesterday that net profits fell [illegible] *per cent in the first half.*

STOCKHOLM recovered from an early dip thanks to a *strong result from* Procordia. The Affärsvärlden index rose [illegible] to 1,083.5.

Procordia [illegible] B's closed [illegible] up at SKr207 [illegible] reported a [illegible] of [illegible] per cent in first-half net profits. [illegible] B's climbed SKr8 [illegible] as analysts upgraded their full-year forecasts in [illegible] of Tuesday's interim.

Bucking the trend was Nobel, whose [illegible] B's lost [illegible] *to* [illegible] day [illegible] trading since the stock [illegible] suspended last Thursday due to a crisis [illegible] its affiliated finance company, Gamles[illegible]. Volvo [illegible] B's [illegible] SKr4 [illegible] of [illegible] interims, announced [illegible] the close.

ISTANBUL fell [illegible] per [illegible] in thin trade [illegible] yesterday's one-year government bond auction set [illegible] higher benchmark for [illegible] rates. The 75-share market index ended [illegible] 3,349.15, down 114.98.

DENMARK saw Sophus Ber[illegible] *fall* DKr70 [illegible] DKr1,910 on lower-than-expected half-year results.

ASIA PACIFIC

Arbitrage-related selling erodes early gains

Tokyo

ARBITRAGE-RELATED selling eroded early gains yesterday, and the Nikkei index ended slightly lower after moving nervously in [illegible] trading range, *writes Emiko Terazono in Tokyo.*

The Nikkei average [illegible] 19.67 [illegible] 21,621.63 after [illegible] high of 21,802.31 and [illegible] low of 21,572.21. Volume rose [illegible] shares [illegible] 170m [illegible] shares [illegible] cross-traded ahead of September book closing.

Declines [illegible] advances by 587 [illegible] 310, while 184 issues remained unchanged. The Topix index of [illegible] first section stocks retreated 13.90 [illegible] 1,682.94, and in London the ISE/Nikkei [illegible] index rose 7.24 to 1,294.19.

Arbitrageurs moved to unwind their positions against September futures, [illegible] will expire [illegible] September [illegible]. The Tokyo Stock Exchange [illegible] announced that long positions against September [illegible] as of August 23 were down by 83.7m shares [illegible] Y126.9bn [illegible] week earlier to [illegible] 1.1bn shares, worth Y1,238bn. [illegible] said [illegible] arbitrageurs *sold 47.1m shares worth* Y48.4bn, while [illegible] shares worth Y45.4bn [illegible] bought.

Morgan Stanley was the [illegible] active player [illegible] arbitrage transactions, buying and selling [illegible] total of [illegible] shares, or 31.3 per cent of the total turnover. Nomura Securities [illegible] Salomon Brothers followed.

Sentiment weakened as [illegible] issues hit [illegible] lows for the year. Mr Chris Newton at James Capel said [illegible] the Nikkei index stayed below [illegible] for longer than [illegible] to three weeks, a forecasted year-[illegible] rally could be in jeopardy.

Regional bank shares [illegible] most active issues *on heavy cross-trading.* Traders said that institutional investors realising profits ahead of the September interim book-closing were seen actively trading the issues. Chiba Bank, the [illegible] active issue of the day, fell Y10 to Y1,090 and Joyo [illegible] Y8 [illegible].

Showa [illegible] Sekiyu, [illegible] refiner, rose Y80 [illegible] Y1,890 [illegible] reports that it will post [illegible] double-digit increase in pre-tax profits for [illegible] current [illegible] year. Buying spread throughout the sector, with Cosmo Oil *rising Y17 to Y762.*

Japan Aviation Electronic Industry, the aeronautical navigation equipment maker, plunged Y30 to Y730. [illegible] officials, including [illegible] former president, have [illegible] arrested by [illegible] Metropolitan [illegible] for [illegible] involvement [illegible] illegal expo[illegible] parts.

Sega Enterprises, [illegible] maker, [illegible] Y11,600 [illegible] buying by [illegible] investors. Reports [illegible] the [illegible] pany's pre-tax profits for [illegible] six months to September would rise by 30 per cent prompted [illegible] buying.

[illegible] Osaka, the OSE [illegible] fell 66.93 [illegible] 23,291.71 on volume of [illegible] shares. Some electronic issues [illegible] higher toward [illegible] on bargain-hunting. Nintendo, the video [illegible] maker, rose Y300 to Y11,400. Strength in Sega Enterprises encouraged investors.

Daishinpan, the non-bank [illegible] company, plummeted Y20 to a record low of Y580 on [illegible] selling on reports that [illegible] company may have [illegible] in connection [illegible] the recent bank loan scandals involving [illegible] Onoue, [illegible] rant [illegible].

Roundup

INDIVIDUAL shares [illegible] more impact [illegible] general market trends in the Pacific Basin yesterday.

MANILA scored [illegible] sixth consecutive improvement, [illegible] composite index rising 20.76, [illegible] just [illegible] 2 per cent, [illegible] 1,025.99. This time the index [illegible] carried higher by the strong overnight performance of Philippine Long Distance Telephone (PLDT) in [illegible].

PLDT finished the [illegible] *a high of* [illegible] pesos. [illegible] issue [illegible] gained [illegible] in American Stock Exchange trading overnight.

SINGAPORE [illegible] in [illegible] 'grey' market, [illegible] pore Automotive Engineering (SAE). [illegible] shares, [illegible] quoted [illegible] between [illegible] S$1.85, well *above* [illegible] *price of* S$1.20.

Meanwhile, [illegible] 7.08 [illegible] 1,390.20, [illegible] rose from [illegible].

NEW [illegible] on late buying in Fletcher Challenge [illegible] Carter [illegible] vey, which [illegible] 7 cents [illegible] in 930,000 [illegible] and [illegible] cents [illegible] in [illegible] thin [illegible] shares respectively.

After opening flat the NZSE-40 index closed 13.10 higher at 1,417.48 after an [illegible] of 1.9 per [illegible] previous three sessions. Turnover [illegible] from NZ$9.3m [illegible] NZ$14.6m.

AUSTRALIA [illegible] slightly higher although signs [illegible] patchiness in the economic [illegible] weight of [illegible] in [illegible] six months and poor corporate earnings [illegible] many investors on [illegible].

The All Ordinaries [illegible] *rose 1.1 to 1,541.2, turnover rising* from A$104m to A$164m. Mayne Nickless, the transport, security and healthcare company, [illegible] 8 [illegible] after reporting a smaller-than-expected [illegible] in profits. [illegible] Corp gained 34 [illegible] buying in [illegible] US.

[illegible] rebounded after [illegible] government approved a big [illegible] of convertible debentures by Reliance Industries. The BSE index added 13.91 [illegible] 1,827.59.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, [illegible] & Co., and County NatWest/Wood Mackenzie in conjunction with [illegible] Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	[illegible] AUGUST 27 [illegible]								[illegible]					DOLLAR INDEX		
Figures in parentheses [illegible] of [illegible]	US Dollar Index	Day's Change %	Pound Sterling [illegible]	[illegible]	DM [illegible]	Local Currency Index	Local % chg on day	[illegible]	US Dollar [illegible]	[illegible] Sterling [illegible]	Yen [illegible]	[illegible]	Local Currency [illegible]	[illegible]	1991 Low	Year [illegible] (approx)
Australia ([illegible])	[illegible]	+0.3	[illegible]	[illegible]	[illegible]	[illegible]	+0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	151.58	112.74	[illegible]
Austria (20)	[illegible]	−0.9	153.17	150.30	[illegible]	157.88	−1.0	1.79	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium (47)	127.17	+0.4	112.19	110.08	[illegible]	113.08	+0.4	[illegible]	[illegible]	111.79	[illegible]	115.10	[illegible]	151.20	118.04	[illegible]
Canada (114)	[illegible]	−0.1	123.47	121.14	127.21	115.73	−0.3	3.27	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	142.27	[illegible]	135.57
Denmark (37)	[illegible]	+0.0	[illegible]	[illegible]	[illegible]	232.56	+0.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	232.48	[illegible]	217.74	[illegible]
Finland (16)	[illegible]	+0.4	[illegible]	[illegible]	[illegible]	85.32	+0.3	[illegible]	[illegible]	[illegible]	82.27	[illegible]	[illegible]	125.15	[illegible]	124.94
France ([illegible])	[illegible]	+0.0	119.31	117.08	[illegible]	125.95	+0.0	[illegible]	[illegible]	[illegible]	117.06	[illegible]	[illegible]	152.26	119.11	[illegible]
Germany ([illegible])	[illegible]	−0.4	95.51	[illegible]	[illegible]	98.41	−0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	98.84	[illegible]	[illegible]	124.14
Hong Kong (55)	[illegible]	−1.0	[illegible]	143.31	[illegible]	165.03	−1.0	4.27	[illegible]	147.71	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	126.13
Ireland (18)	153.71	+0.3	[illegible]	133.06	[illegible]	141.60	+0.3	[illegible]	[illegible]	[illegible]	132.70	[illegible]	141.19	[illegible]	[illegible]	[illegible]
Italy (77)	71.00	+0.3	[illegible]	61.46	[illegible]	69.23	+0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan (474)	[illegible]	−0.1	107.46	[illegible]	110.74	105.44	−0.1	[illegible]	121.94	107.67	[illegible]	110.87	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia (68)	[illegible]	−0.3	177.02	[illegible]	182.40	[illegible]	−0.3	[illegible]	201.21	177.68	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible] (16)	[illegible]	+2.4	[illegible]	1027.45	[illegible]	[illegible]	+2.7	1.37	1159.27	[illegible]	[illegible]	[illegible]	[illegible]	1186.86	534.45	[illegible]
[illegible]	[illegible]	−0.8	[illegible]	118.21	124.13	122.78	−0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	137.74
[illegible] (14)	[illegible]	−0.2	[illegible]	[illegible]	[illegible]	[illegible]	−0.3	7.14	[illegible]	[illegible]	[illegible]	[illegible]	42.77	[illegible]	41.18	[illegible]
Norway (31)	[illegible]	−0.2	179.16	[illegible]	[illegible]	[illegible]	−0.3	1.50	203.58	179.76	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Singapore (38)	[illegible]	−0.4	164.76	161.67	[illegible]	[illegible]	−0.4	[illegible]	[illegible]	[illegible]	[illegible]	170.47	[illegible]	[illegible]	[illegible]	[illegible]
[illegible] (61)	[illegible]	+0.5	[illegible]	[illegible]	[illegible]	[illegible]	+0.3	3.23	236.35	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain (54)	[illegible]	−0.2	[illegible]	[illegible]	[illegible]	123.66	−0.2	[illegible]	[illegible]	[illegible]	130.21	[illegible]	124.12	171.12	131.51	[illegible]
[illegible] (25)	[illegible]	−0.2	[illegible]	164.12	172.34	[illegible]	−0.3	[illegible]	[illegible]	167.78	[illegible]	172.75	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland (58)	92.05	−0.3	81.21	[illegible]	[illegible]	[illegible]	−0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	87.47	[illegible]	82.17	97.04
United Kingdom (240)	176.44	−0.6	[illegible]	152.73	[illegible]	[illegible]	−0.7	4.72	177.53	[illegible]	[illegible]	[illegible]	[illegible]	187.44	156.27	[illegible]
USA (527)	159.67	−0.1	140.87	[illegible]	145.15	159.67	−0.1	[illegible]	[illegible]	141.14	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	129.61
Europe (828)	138.19	−0.4	121.92	[illegible]	125.63	[illegible]	−0.4	[illegible]	138.72	[illegible]	[illegible]	126.12	[illegible]	151.52	[illegible]	143.17
Nordic (109)	186.47	−0.1	164.51	161.42	[illegible]	[illegible]	−0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Basin (718)	123.62	−0.1	[illegible]	107.02	112.38	[illegible]	−0.1	1.18	123.76	[illegible]	107.18	112.54	[illegible]	[illegible]	117.86	[illegible]
Euro−Pacific (1546)	129.71	−0.2	114.44	[illegible]	117.91	114.84	−0.3	2.30	130.02	114.61	112.57	[illegible]	115.15	[illegible]	121.29	[illegible]
North America (641)	158.38	−0.1	[illegible]	137.12	[illegible]	[illegible]	−0.1	[illegible]	[illegible]	[illegible]	[illegible]	144.16	[illegible]	[illegible]	[illegible]	[illegible]
Europe Ex. UK (586)	115.57	−0.2	[illegible]	100.06	105.08	106.22	−0.2	3.17	115.80	[illegible]	100.29	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Ex. Japan (244)	141.74	−0.3	[illegible]	122.72	128.86	126.12	−0.3	[illegible]	142.19	[illegible]	123.14	[illegible]	[illegible]	[illegible]	111.40	[illegible]
World Ex. US (1737)	131.83	−0.2	116.30	114.13	[illegible]	116.37	−0.2	2.35	[illegible]	116.64	114.38	120.10	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	136.78	−0.1	120.68	118.42	124.36	[illegible]	−0.1	[illegible]	[illegible]	[illegible]	[illegible]	124.50	[illegible]	145.77	[illegible]	129.77
World Ex. [illegible] Al. (2203)	[illegible]	−0.2	123.15	120.85	[illegible]	129.66	−0.2	[illegible]	[illegible]	123.47	121.09	127.14	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. Japan (1790)	151.33	−0.2	[illegible]	[illegible]	[illegible]	[illegible]	−0.2	[illegible]	151.61	[illegible]	[illegible]	[illegible]	143.93	[illegible]	[illegible]	[illegible]
The World Index (2264)	[illegible]	−0.2	[illegible]	121.40	[illegible]	[illegible]	−0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible] prices were unavailable for [illegible] edition.

An interview with the prime minister, Mahathir Mohamad, Page 6

MALAYSIA

Malaysia has assumed a new assertiveness in its foreign policy: Page 7

SECTION III

Thursday August 29 1991

Malaysia's successes over the past decade are well documented. But concerns about labour shortages, privatisation and social problems cloud the horizon. There is a risk that the government will depending excessively on relentless economic growth. **Alexander Nicoll** reports

Stability is paramount

The trappings of success – consumer goods, construction projects and streets choked with new cars – are easily visible, especially in Kuala Lumpur

MALAYSIA [illegible] booming. Ten [illegible] Dr Mahathir Mohamad [illegible] office [illegible] prime minister, [illegible] country [illegible] enjoying rapid [illegible] growth and a high level of [illegible] foreign [illegible].

The trappings [illegible] success – consumer goods, [illegible] projects and [illegible] choked with new cars – are easily visible in Kuala Lumpur, the capital, and the [illegible] which have benefited most: Selangor, Johore and Penang.

Dynamic growth is, however, creating pressures and dangers. Meanwhile, the government's long-standing policies [illegible] engineering, as [illegible] oversight of many aspects of Malaysian life, carry their risks for the future.

Dr Mahathir, after winning a new mandate in last October's general election – although with a [illegible] share [illegible] the popular vote – has [illegible] the country's longer-[illegible] goals following [illegible] expiry [illegible] the 30-year-old New Economic Policy. Its replacement, the National Development Policy, [illegible] the aims [illegible] poverty and [illegible] the role in the economy of Malays and natives, [illegible]tively known as Bumiputras.

But there is no longer a specific percentage [illegible] time-frame for [illegible]tra participation – [illegible] aim had been a 30 per [illegible] in [illegible] corporate [illegible] by [illegible] looking [illegible] quality rather than quantity," Dr Mahathir said in an interview. The new emphasis is on increasing Malays' business management skills so they can develop, [illegible] simply enjoy, the [illegible] of a policy which favours them.

Underlying [illegible] NDP's [illegible]cupation with [illegible] development [illegible] economy [illegible] Dr [illegible] goal [illegible] should [illegible] developed country, though retaining traditional values, by the [illegible] 2020. Key [illegible] closely involved in "Vision 2020", a body [illegible] up [illegible] determine [illegible] conditions necessary to achieve this.

The drive in the second half [illegible] attract [illegible] – 100 [illegible] ownership [illegible] allowed [illegible] export-[illegible] projects – has [illegible] Malaysia [illegible] this path more successfully than Dr Mahathir's earlier push [illegible] develop heavy [illegible].

For [illegible] manufacturers [illegible] relocate labour-intensive operations abroad, Malaysia is [illegible] because of political stability, democracy, ease [illegible] business, available workforce, [illegible] costs, transport and communications, and widespread knowledge [illegible] English language.

[illegible] last [illegible] replaced Japan [illegible] investor, with [illegible] ($2.3bn) [illegible] approved investments. [illegible] is making a rapid entrance, [illegible] companies from Singapore, [illegible] Europe also have substantial operations. Approved foreign manufacturing investments have approximately doubled from the [illegible] year's figure in each [illegible] three years, reaching M$17.6bn in [illegible].

With manufacturing accounting [illegible] per cent of gross domestic product, [illegible]pared [illegible] 20 per [illegible] five [illegible] growth has [illegible] been buoyant. It [illegible] averaged 9 per cent [illegible] past three years. While agricul[illegible] remains an important pillar of [illegible] govern[illegible] for further substantial expansion of the manufacturing [illegible].

However, [illegible] signs of overheating [illegible] bottlenecks. Inflation, although [illegible] has been below [illegible] per [illegible] creeping up. In the regions which have received the most manufacturing investment, there [illegible] virtually full employment. The [illegible]ging labour shortages could boost wages and put off new investors.

Imports [illegible] capital goods [illegible] manufacturing plants [illegible] with strong [illegible]sumer spending to push the current account into steep deficit. It is with some relief that economists forecast a rise in interest rates over the rest of this year, and a slowing in the economic growth rate. The central bank recently acted to tighten monetary policy.

Rapid growth has strained the infrastructure. Overcrowding on trunk roads is being eased by the construction of a north-south expressway. Electricity and other projects are under way or planned.

Among longer-term problems, the influx of manufacturing investment has not resulted in significant transfer of technology and skills to Malaysians. Dr Mahathir says patience is required: "Technology transfer can take place if there are recipients capable of receiving the technology. And we don't have that many people who are trained to learn and utilise that technology... But if we cannot absorb all the technology now, we will absorb them later."

Meanwhile, Malaysian sourcing of parts and other goods for new [illegible] remains low. [illegible] government plans to stim[illegible] performance of small and medium-sized industrial companies whose products are often late [illegible] poor quality.

The political backcloth for Malaysia's [illegible] Dr [illegible] paramount desire [illegible] maintain [illegible]bility [illegible] rivalry and latent [illegible].

For him, riots which [illegible] the Malay and [illegible] communities in [illegible] serve as a constant warning to policy-makers of the risks of failure of [illegible] a balance in [illegible] standard [illegible] living. Introducing the [illegible]tional Development Policy and the [illegible] five-year plan [illegible] Parlia[illegible] in June, Dr Mahathir [illegible] "Since [illegible] new generation of Malaysians are generally [illegible] the events in 1969, it is necessary to [illegible] them and also ourselves that in a multiracial society like ours the existence of socio-economic imbalances along racial lines is not [illegible] national unity."

Inevitably, however, attempts [illegible] tip the [illegible] towards one sector of the population create unease. Some Malays have tended to view the New Economic Policy as a means purely to get richer. The tendency is to buy shares allotted to Bumiputras, and to sell them for a quick profit. This has created much wealth for little effort among some sections of the Malay community – what some in Malaysia call a *rentier* middle class.

Moreover, [illegible] are [illegible] that although the overall level [illegible] poverty has been much reduced, differentials within the individual racial communities have widened.

Dr Mahathir depends primarily on Malays for his support – and his popularity is as high now as at any time during his tenure.

However, the tentacles of the United Malays National [illegible]isation (Umno) – the party led by Dr Mahathir – in business, and the appearance that companies with political links get many of the best contracts, are a long-standing source of concern. Although Umno's hold[illegible] in business were previously open – and there [illegible] tradition in Malaysia of political parties owning such holdings – there have been recent attempts to regroup.

Many of the companies which have been seen as in Umno's stable have been shifted into the Renong group, headed by [illegible] Halim Saad, who is said by the opposition Democratic Action Party to be a "front man" for Umno. Dr Mahathir insists Umno has no links with companies, but says companies may be run by people [illegible] Umno.

Concerns about favouritism towards Malay businesses, and about privatisation which does not increase competition, cloud the outlook for the future. So too do social problems such as the difficulties faced by Chinese young people in getting university places, and memories of government crackdowns in the 1980s, including detention of opposition politicians, suspension of supreme court judges, and bars on publication of newspapers.

The maintenance of stability – to the extent seen as [illegible]sary by Malaysia's [illegible]ers – involves a cost in terms of the freedom experienced in many western [illegible]. The risk [illegible] that the government is depending excessively on relentless economic growth to spread wealth and keep tensions in check – and that a significant slowing in growth would upset the whole apple-cart.

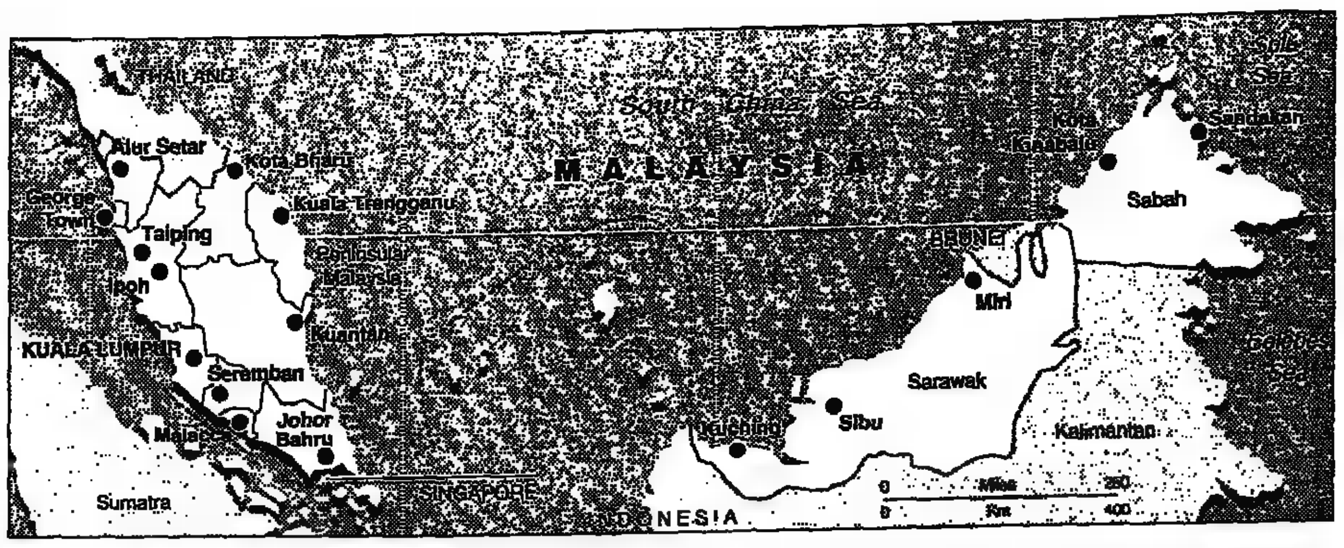
IN THIS SURVEY

Editorial production: Phil Sanders

هكذا من الأصل

Lim Siong Hoon examines the National Development Policy

Doctrine without a deadline



THE National Development Policy, unveiled in June, is in essence a [illegible] of its predecessor doctrine, the New Economic Policy.

But unlike the NEP, it carries no deadline and no explicit *emphasis on target* quotas for ownership of the corporate sector. It also acknowledges that [illegible] previous policy goals had suffered from excesses of implementation.

When Malaysia won independence from Britain in 1957, economic and political power [illegible] detached from each other. Political [illegible] in the [illegible] of the Malays; economic power *largely belonged to the* Chinese, with foreign companies also owning large chunks of the country's businesses.

This sowed [illegible] of dissension [illegible] *culminated* in the ethnic riots of 1969. The NEP was launched in 1971 as a result.

It has influenced all aspects of Malaysian life, from corporate structures, investment and employment patterns, to daily attitudes. Its twin policy pillars were the eradication of poverty and *economic* restructuring, or, "eliminating the identification of race with economic function." [illegible] to be [illegible] off, according to its *governing* principles. [illegible] for everyone [illegible] to be [illegible] but at a [illegible] for the poor than the rich.

At the same time, the NEP set a target of 1990 by which time 30 per cent of the country's corporate sector would be in the hands of Bumiputras (literally, "sons of the soil"). These are Malays, [illegible] make up about half of the [illegible] population, and small, [illegible] groups of natives who represent [illegible] 10 per cent.

As many as three-quarters of the Bumiputras were [illegible] to be poor in the early 1970s. They were largely agrarian communities and were far more backward in [illegible] and in the professions than the non-Bumiputras – Chinese who make up 33 per cent of the population now and Indians who make up 10 per cent.

The NEP targets [illegible] that [illegible] per cent of the corporate sector should be in Malaysian, non-Bumiputra hands by 1990 and 30 per cent controlled by foreigners. When the policy had run its full course last year, the statistical achievements were proclaimed a qualified success.

On the alleviation of poverty, Malaysia's poverty level had dropped from 52 per cent of all households in 1970 to 17 per cent by 1990, according to the *government's definition.*

On equity distribution, Bumiputras' [illegible] in the corporate sector rose from 2 per cent to 20 per cent between [illegible] and *1990*. The share of Chinese and Indians rose from [illegible] per cent to 46 per cent, and that of foreigners dropped from [illegible] per cent to [illegible] per cent. The share not accounted for in these figures is held by nominee companies of unknown ownership.

Dr Mahathir Mohamad, prime minister, acknowledged in [illegible] in an interview with the Financial Times, that the NEP was failing to meet its targets. He said it was "in abeyance" and that a newly reformulated policy would have to make up for this. The NEP had been thrown off course partly by the recession which hit Malaysia in the [illegible].

Hinting then at the likely shape of the replacement, he noted that as soon as a specific figure was given as a target, "it becomes a [illegible] in itself while in fact it is quite meaningless... What is important is to make the Bumiputras competitive in every way."

The NDP, as well as removing the specific targets and time-frame, has put the emphasis firmly on training Bumiputras to manage and develop the wealth they have gained as a result of the NEP. But it was important to keep the NEP's goals and operating principles alive, for reasons that go beyond national solidarity.

The United Malays National Organisation (Umno), the Malay party which has been [illegible] since independence, had [illegible] its reputation on the policy's success. Thus, declaring it in June to be "one of the greatest policies of independent *Malaysia*", *Dr* Mahathir provided not simply a justification for its continuation. He implied that the reformulated policy had to remain as Umno's raison d'être.

The NEP has had other implications:

■ About 1m poor people, principally Malays, were shifted into state-sponsored farms, on the assumption of abundance of land and strong world markets for Malaysia's commodities, mainly rubber and palm *oil*. [illegible] nearly exhausted, and prices have not been buoyant. Grievances have [illegible] alongside a [illegible] in [illegible] real [illegible].

■ *The mass* [illegible] of state [illegible] into Bumiputra hands has resulted in the concentration of wealth among a Malay *elite*, so that the [illegible] disparity is now acknowledged to be greater among Malays than within other communities.

■ Last October's election results *were an indication* that shortcomings over equity distribution were seen as much by the poor among Bumiputra as among the non-Bumiputra. In *Kelantan, predominantly* Malay and poor, the coalition lost all its seats. Nationwide, electoral support for the National Front government fell *from more than 60 per cent of* votes in previous general elections to 52 per cent.

Such signals could not have been ignored when the government *produced the NDP. Mend*ing of fences, including agricul*tural reforms,* was required.

The NDP's economic, employment and other social targets are contained in an accompanying document called the *Outline Perspective Plan* for 1991 to 2000. Average real annual GDP is to grow by 7 per cent, doubling in absolute size within 10 years; the unemployment rate is to be [illegible] from 6 per cent currently to 4 per cent, and the poverty rate from 17 to 7 per cent.

[illegible] and business reforms aimed at transforming the economy may slow the pace of policy implementation but not change its [illegible]. Since the NDP is the main [illegible] of Umno's strength, the party's leaders have little incentive to [illegible] its importance.

Employment by sector and ethnic group: 1990 (1985 in brackets) percentage of sector's workforce

	Bumiputras	Chinese	Indians
Agriculture	76(75)	16(16)	7(8)
Manufacturing	50(45)	[illegible]	12(11)
Whlsle/retail/hotels/restrnts	38(36)	54(56)	7(7)
Govt services	66(66)	25(25)	8(9)
Construction	43(42)	50(51)	6(6)
Registered professionals by ethnic group ([illegible] percentages)			
Architects	24	74	1
Accountants	11	[illegible]	6
Engineers	[illegible]	58	5
Dentists	[illegible]	51	24
[illegible]	[illegible]	35	34
Lawyers	22	50	[illegible]
Surveyors	45	50	4

[illegible] not 100, remainder is made up by other races

[illegible] *1991-1995*

■STOCK MARKET

Semblance of sobriety

For [illegible], independence offered big opportunities

FOR the Malaysian stock market where daily volume averaged [illegible] shares in [illegible] trading of 100m [illegible] shares a day in the early parts of 1990 was a euphoric way to start an independent life after breaking a long-standing [illegible] listings link with the Stock Exchange of Singapore.

A [illegible] *of sobriety* has since returned. During the first half of this year, trading volume fell by 2 per cent although there were 30 additional listings. *They* [illegible] Syarikat Telekom, the telecommunications monopoly and the largest group, with 13 per cent of the market's total capitalisation.

To individual Malaysian investors, who have tended to regard the Kuala Lumpur Stock Exchange as a playground for speculative [illegible] capital gains, independence for the KLSE probably [illegible] little, if anything.

For the government, however, independence was not only symbolic of the [illegible] tion and [illegible] it had [illegible] *the* [illegible] *economy*. But it also opened the way for the sale of state-owned enterprises, and for pumping new life into a long-neglected source of capital.

The exchange is a focal point of the government's asset redistribution policies, although the governing rules are expected to change this year. Companies were previously required to [illegible] at least 30 per cent of their new issues for "Bumiputra", the ethnic category of Malays and natives. This rule may be eased *and the government may* [illegible] allow foreigners to subscribe to new issues.

For stockbrokers, independence [illegible] huge opportunities [illegible] *because of the fast* [illegible] growth and [illegible] of privatisation. [illegible] next [illegible] is the largest flotation on record, that of Tenaga Nasional, *the electricity* monopoly which has [illegible] assets valued at [illegible].

These opportunities are [illegible] by a *sympathetic monetary* policy promoting moderate [illegible] rates, by growth in disposal [illegible] and by a large savings market – Malaysian annual savings are equivalent to 30 per cent of GNP. Moreover between [illegible] and 1990, the public sector's demands on the overall capital market dropped from [illegible] per cent to [illegible] per cent of [illegible] funds raised. This means that financial institutions, such as [illegible] which traditionally hold much of their assets in government securities, will have to alter *their portfolios* to [illegible] date more corporate equity.

The Employees Provident Fund, a state-managed workers' [illegible] which has [illegible] per cent of its M$47bn in government securities [illegible], is likely to [illegible] a powerful influence on the market in the future. It is now permitted to hold *50 per cent of its* assets in equity, compared with 30 per cent previously.

The brokerage industry has *already* [illegible] *much from the* changes at the KLSE. Despite the drop in trading volume between the first half of this year and last year, the M$18bn turnover in value terms from January to June nearly equals the total for all of 1990.

In the 19 months to early August, the Kuala Lumpur Stock Exchange index gained 20 per cent. At the end of July, *market capitalisation* of the exchange stood at M$168bn.

A [illegible] of the market has also emerged: BBMB Securities, a stockbroking subsidiary of Bank *Bumiputra Malaysia*, the country's second-largest bank, needed a capital infusion from its parent after losing M$72m from alleged *"irregular transactions"* between September 1989 and March 1990. A former chief executive has pleaded not guilty *to charges of illegal share trading.*

Earlier this year, the finance ministry froze further listing of brokerages on the exchange after having approved 10. For companies seeking new capital, the ruling caught them just when the ministry had raised the minimum equity capital requirement 10-fold to [illegible].

The capital restructuring produced a [illegible] of the brokerages on a scale rarely seen in the industry. It forced many brokerages owned by individuals to sell off, to merge or seek a listing.

Many of [illegible] *previously* undercapitalised. The rationalisation would have been inevitable if it was to support the demand for shares and to cope with the [illegible] consequences of the market's abrupt divorce from Singapore's [illegible] brokerages.

All the changes were brought about to raise the market's profile and aid [illegible]. However, they have scarcely begun to alter the market's [illegible].

There remains, for example, a *poor correlation between* [illegible] rates, which rose in recent months to around 8 per cent, and [illegible] yields, which [illegible] per cent, down from [illegible] per cent at year-end 1990. During the first six months, [illegible] prices fell marginally from 26 to [illegible] times earnings.

The Malaysian Investors' Association, a private body of *minority shareholders*, [illegible] that tin stocks have gained [illegible] per cent during the six months although tin prices are at a five-year low.

Speculative trading and *inconsistency* between the [illegible] of demand and the limited supply for stocks [illegible] imperfection. Volatility is fed by small investors' indifference towards share earnings dilution, by a constant flow of share issues and by underpricing of new issues.

Lim Siong Hoon

■PRIVATISATION

Latent unpopularity

CHERAS, just *south* of Kuala Lumpur, is a densely populated [illegible] every morning cars choke bumper-to-bumper for up to three hours along the only road leading into and out of the city.

Last year, the kilometre-long stretch [illegible] the [illegible] by two lanes to six. When an interchange was built, a toll gate was also installed.

Days after toll collection started, demonstrations and riots [illegible] *for three nights* – the first time in the capital since the ethnic violence of 1969.

Residents had refused to pay the M$2 round trip toll fee, which they considered [illegible] since the road was the only available one and since a daily trip would cost, in annual terms, 12 per cent of the average income per head.

The subsequent suspension of the Cheras tolls was the most [illegible] and the first open challenge to the privatisation programme of Dr *Mahathir* Mohamad, *prime* minister.

Above all, it highlighted some of the latent unpopularity with the way the privatisation programme, now in its eighth year, had been implemented.

"The lesson is that we need to pay more attention to the terms of the agreement," says Mr Razman Hafidz Abu Zarim, *executive director* of *Price* Waterhouse which has advised on several privatisation projects.

But, in replacing the old *agreement*, the *government* also demonstrated its determination to press ahead with the programme: toll collection will resume on September 15, *almost exactly a year after* its suspension, coinciding with a new, more intensive phase of privatisation.

From 1983 to last year, [illegible] state enterprises were either sold or restructured. During 1991 and 1992, some [illegible] or more are due to be sold. They range from [illegible] and airports to rice mills and shipyards. Scheduled for next May is the largest ever flotation, that of Tenaga Nasional, the electricity monopoly in peninsular Malaysia.

In few other countries is privatisation *pursued with as* much vigour as in Malaysia.

A privatisation "masterplan" completed last year picked [illegible] public enterprises and services *across the spectrum of the* economy.

They were classified into three categories: those to be privatised within two years, those within two to five years and those that would take longer than five years.

Their privatisation – sale of *equity, leasing, management* contracts, licensing, management buy-outs (MBO) and build-operate-transfer (BOT) arrangements – would affect almost [illegible] employees with [illegible] annual earnings of M$1.8bn.

The enterprises are valued at M$16.3bn, although this total is questionable.

The main reasons for privatisation are three-fold: relieving the government's financial burden, improving economic efficiency and growth, and meeting national policy targets.

The last refers to the New Economic Policy (NEP) of 1970 to 1990, since recast as the National Development Policy.

By transferring state-owned assets to Malays, the government argues that it would help meet the policy's principal aim of giving them at least 30 per cent ownership of corporate equity.

One result of privatisation will be the transfer of M$7.5bn in government debt to private entities, according to Mr Ismail Muhammad of the Institute of Strategic and International Studies.

It represents [illegible] per cent of the government's outstanding debt in 1987.

Telekom, the telephone monopoly, is a case in point. After [illegible] per cent of the group was sold in a [illegible] flotation last year, Telekom cut its *long-term* debt *virtually overnight by 63* per cent to M$1.4bn.

There are also claims that privatisation has created a market environment which has improved efficiency in, for example, container delivery services. It is also said to have *opened up* new *market* segments, such as [illegible] and paging systems.

However, privatisation in Malaysia seldom results in private control of the enterprises, since the government continues to exert considerable influence over their operations.

Major groups such as Telekom, Malaysia Airline System (MAS), the national carrier, and Malaysian International Shipping Corporation remain under state equity control. In order to raise air fares, to offset higher fuel costs, MAS *must obtain permission from* the government.

The extension of the state into the [illegible] of privatised [illegible] the pervasive mixture of [illegible] politics and business.

Where the state has no majority equity shareholding, former civil servants and members of ruling political parties – especially the United Malays National Organisation (Umno) – are often the preferred new owners.

The NEP, and now the *NDP*, are used as the justification for this.

The list of such privatisations include: the build-operate-transfer agreement for the M$6bn North-South Expressway; the build-operate [illegible] for TV3, a private television channel; the equity sale of Cement Industries of Malaysia; the equity sale of United Asian Bank, Malaysia's [illegible] largest bank; and the management buy-outs of Fima, the food and packaging group, and Peremba, the property group.

"Political accreditation is necessary, or else you fight an uphill task getting approvals," says a merchant banker.

Because privatisation is seldom [illegible], talk of political [illegible] is rife and questions have [illegible] the valuation of enterprises.

[illegible] an enterprise may be sold after a new team of executives is installed.

Despite scepticism about the programme, it has managed to move forward because of the combination of political will, a large and available capital supply, relatively *low* interest rates and "favourable" rates of return.

Resumption of the toll collection at Cheras, now reduced to M$1, also showed the government's willingness to compro*mise and not stand down in* the face of a challenge to its programme.

Residents there remain unhappy, however. The Cheras gate is the only collection point, although the same company had built four other interchanges, three of which are [illegible] while collection at the fourth, and another, will begin only in 1994.

Meanwhile, bumper-to-bumper traffic continues every morning in Cheras.

Lim Siong Hoon

SIME DARBY

A Driving Force in a Thriving Region

At the beginning of the Twentieth Century, American President Theodore Roosevelt expressed the view that 'the Mediterranean is the ocean of the past, The Atlantic is the ocean of the present, and the Pacific will be the ocean of the future'.

The future has indeed arrived.

Four countries in the Pacific Region – South Korea, Taiwan, Hong Kong and Singapore – despite being resource-poor, have breathed so much fire on the economic front that they were named the Four Little Dragons or, in economic terminology, Newly Industrialised Economies.

More recently, the three *resource-rich* countries of the Association of Southeast Asian Nations (ASEAN), Thailand, Indonesia and Malaysia, have been gaining increased momentum in their determined drive from farm to factory and beyond. In fact, they have already begun to be referred to as the Asean Tigers.

Malaysia Booms with 10% GDP

Malaysia, as one of the Asean Tigers, posted a remarkable 10 per cent growth in 1990. As the Gulf crisis has shown, Malaysia's economy is probably more robust than any other in Asia. Not only is it resource-rich, but its wide-ranging programme of economic diversification has also begun to have an impact. Commodities today account for less than 29 per cent of Gross Domestic Product while, at the same time, manufacturing has expanded significantly to more than 27 per cent.

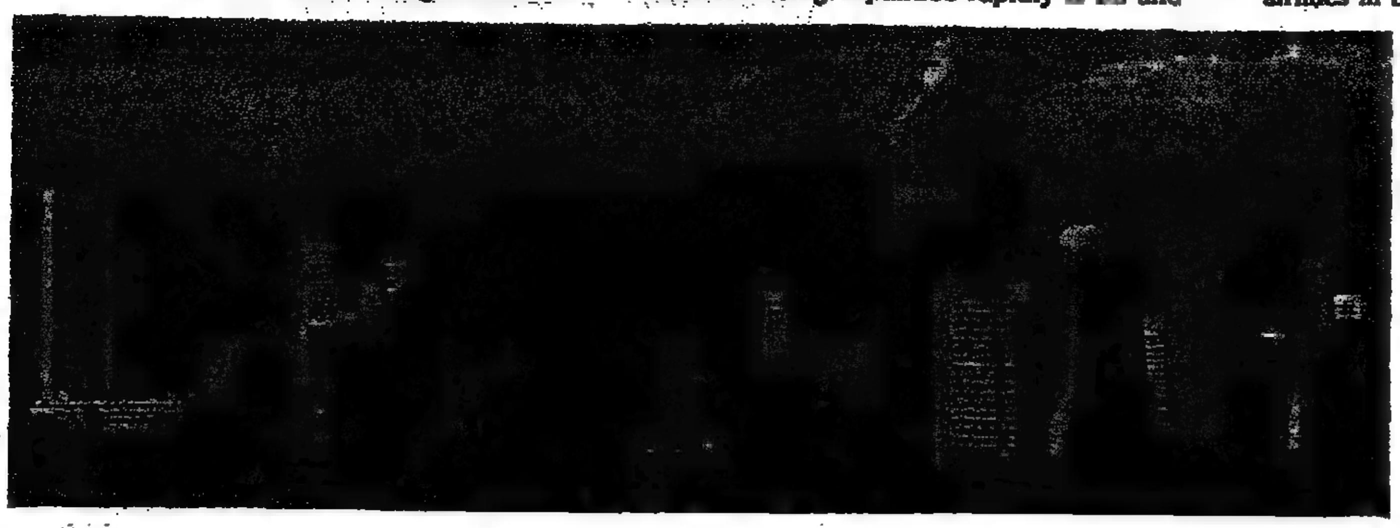
Malaysia continues to attract foreign investors because of its ample natural resources, political stability, strong infrastructure, quality of its workforce, and investment incentives, including tax *holidays. The nation's leadership has also* announced Vision 2020, a national endeavour to make Malaysia a fully developed country by the year 2020.

Sime Darby Reflects the Dynamic Progress of the Region

In 1910, just about the time that President Roosevelt was making his bold prediction, Scottish adventurer William Middleton Sime and English banker Henry Darby put their names together to form a plantations company called Sime Darby.

Today, Sime Darby is Malaysia's number one corporation, with widely diversified businesses and market capitalisation of over US$2 billion. It is also the largest multinational in Southeast Asia.

In the past two decades, the company *has undergone* a structural transformation, having successfully developed four other core businesses beyond plantations. These include manufacturing; heavy equipment and motor vehicle distribution; property development; and insurance. A sixth core business being expanded rapidly is oil and gas because of Malaysia's rich resources in this area.



Regional Operations Ensure Strong Local Knowledge and Connections

Sime Darby business activities are grouped to fit the nature of its diverse operations and broad geographic markets. The Group today comprises companies in 12 countries in Europe, the United States and Asia Pacific. To support its extensive trading and manufacturing interests in Asia, the Group has *regional* operations in Hong Kong, the Philippines, Australia, Indonesia, Brunei, Thailand and Singapore as well as Malaysia.

Regional operations include diverse businesses, from natural resources to mass consumer products to commercial and industrial equipment and systems.

In Hong Kong, Sime Darby markets a *range of motor vehicles – including BMW,* Ford, Suzuki, Alfa Romeo and Mitsubishi cars – and commercial vehicles. It is also involved in heavy equipment, engineering, property, insurance, finance and shipping activities.

The Singapore operations include the marketing of BMW and Ford cars, Land Rover vehicles, heavy equipment, manufacture of packaging materials and marketing of a wide range of consumer goods, as well as property management and consumer services such as travel and car rental.

Sime Darby also manufactures Sime Darby branded tyres with BF Goodrich as the technical partner in the Philippines, and distributes Suzuki vehicles and motorcycles, manufactures furniture and assembles bicycles in Australia.

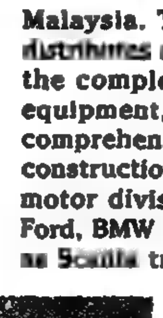
The Group has a packaging manufacturing *operation and owns* and manages a commercial estate in Indonesia. In Thailand, Sime Darby has a significant investment in insurance underwriting and owns and manages an insurance broking company.

Sime Darby Malaysia Region produces a wide range of high quality products for the domestic and export markets, and has agency lines in consumer products, electronic equipment, computers and engineering products. *It also offers services covering* travel, securities, car rental and computers.

The goal is to continue to strengthen the Group's presence in Southeast Asia and other Pacific Rim countries which offer opportunities for investment and expansion.

Diversification Strengthens the Group

In the area of manufacturing, Sime businesses manufacture and market a broad range of automotive, earthmover and aviation tyres. This division is Malaysia's largest tyre producer and the largest exporter of tyres in Southeast Asia. The aircraft tyre division has contracts with major airlines in the region. Earthmover tyres are exported to Europe, the Middle East and Asian countries.



The automotive tyre division has invested in *state-of-the-art* precision equipment to make *Sime's technology* among the most advanced in the world. The investment and Sime's affiliation with technical partner Sumitomo Rubber Industries *of Japan allow the group to* produce high-performance VR and ZR speed-rated tyres for today's supercars.

The distribution of heavy equipment and motor vehicle assembly are handled by Sime *Darby subsidiary, Tractors* Malaysia. The heavy equipment division distributes and provides product support for the complete range of Caterpillar heavy equipment, engines and lift trucks and a comprehensive range of agricultural, road construction and quarrying equipment. The motor division assembles and distributes Ford, BMW and Land Rover vehicles as well as Scania trucks and commercial vehicles. The company also assembles Mazda passenger cars and Suzuki 4-wheel drive vehicles under contract.

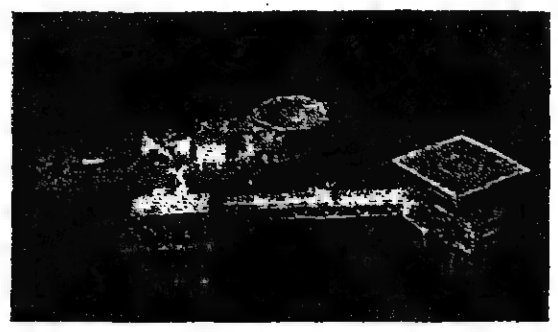
Sime UEP provides the base of the Group's property development operation. The subsidiary has developed *Southeast Asia's* largest township built by a single developer and is in the process of building industrial estates for modern warehousing and light industry.

Insurance services provided by the Group comprise general and life insurance, health and medical insurance, and both insurance and reinsurance broking.

Plantations traditionally provided the foundation of the Sime Darby Group. Today, the organisation has 200,000 acres of prime tropical agricultural land under

oil palm, rubber and cocoa. The Group has also moved into downstream activities, such as the refining and packaging of vegetable oils and specialty fats, and the manufacture of dipped latex products including examination gloves and condoms.

The Group has seen significant growth in its newest area of diversification, the oil and natural gas industry, through the development of exploration, design and fabrication capabilities. Major contracts for Shell, Esso and Petronas, Malaysia's national oil company, have included fabricated offshore production platforms and jackets for Malaysian oil production. Sime Darby has fabricated and delivered a jacket to the Qatar North Field Development Project in the Arabian Gulf and is in a strong position to pursue opportunities in other overseas markets.



Hands-on From Dunlop Tyres to BMWs

The Group's high standards for quality, efficiency and integrity have led to joint venture arrangements and other business affiliations with organisations in Europe and North America. Its strong connections *and presence in the region, coupled* with a proven track record in finance, management and marketing, make it attractive as a business partner.

A broad range of globally-recognised names have joined forces with the Group in the region. Of these, a number have

taken advantage of Sime's knowledge of the region and extensive network. In addition to BMW, Land Rover, and Ford partnerships for the assembly, distribution and product support of their vehicles, the Group designs, manufactures, markets and distributes Chubb security equipment for banks and financial institutions as well as for the commercial and household sectors. Tractors Malaysia is one of the top 10 Caterpillar dealerships in sales and customer support in the world.

In a 50-50 joint-venture with the Michelin Aircraft Tyre Corporation, the Group manufactures high quality aircraft tyres for major airlines in Singapore, Indonesia, Australia, Pakistan and Malaysia. Michelin Sime Aircraft Tyre Company was the first company in the world to retread tyres for Boeing 747-400 aircraft.

Other international business *partners include* Berger Paints with whom Sime has a technical agreement to manufacture and distribute paint; Rengo, Japan's leading packaging company; and the Inax Corporation of Japan which has a joint venture manufacturing arrangement with Sime Darby to produce sanitaryware exported to the buoyant markets of Japan, Singapore and Korea. A Sime Darby-Hyundai joint venture company manufactures furniture for export markets around the world.

A Letter from the Group Chief Executive

I hope we have succeeded in giving you a tour de horizon of Asia Pacific, Malaysia and Sime Darby. We believe it is a glowing picture, because the underlying fundamentals have always been strong.

What is the Secret of Sime Darby's Success?

The Sime Darby Group has greatly benefitted from the growth and development of the Asia Pacific region, which is not really surprising since we pride ourselves on being the Regional Multinational. That, of course, is not the only reason for the Sime Darby Group's success in recent years, and here I must give credit to the management staff for their professionalism in both planning and execution. We provide our staff with the best in terms of management training and give our executives the responsibility and the opportunity to show their worth, but we are extremely demanding *in our standards and so far we have not* been disappointed in the response.

I must confess we are inclined to be conservative in our management approach, and whilst some may see this as a weakness, we believe in the trustee relationship and in looking after shareholders' funds. The Sime Darby Group profits are real, genuine, cash-in-the-bank profits as reflected in our balance sheet strength. We are not about to change our ways, though we may start to become more acquisitive as value for money opportunities present themselves.

Sime Darby is a regional Group, and we would like to continue to build up our regional *presence and strength* still further in new business ventures with new partners who have the technology and the resources to match our demanding standards. If you have either the intention or the desire to move into this region, I cannot believe you will find a better business partner than Sime Darby.

What is Sime Darby's Long-Term Strategy?

Increased manufacturing is an aspiration for Malaysia and the other regional countries. In this respect, as the regional multinational, we would like to realise this aspiration but, equally importantly, we are concerned to see that any business venture we enter into is a viable long-term *project.*

For the future, we will also be increasing our efforts in seeking exports in overseas markets. Examples of Japan, Korea and Taiwan are there to remind us that exported growth is a powerful route to rapid economic expansion, and Malaysia has made a commitment to reach developed country standards by the year 2020.

Small countries like Malaysia can move towards achieving such a watershed for its people by specialising and developing an expertise in certain niche areas of manufacture or with certain specific products.

Just as many people have been amazed by our capacity to achieve the success we enjoy today – as a company, as a country and as a region – there will be many who will be surprised by our progress in the future. Sime Darby believes in open, free international trade which will provide the opportunity and the incentive for world peace, progress and *prosperity. The way forward* is *clear,* and I am confident that the opportunities in Asia Pacific are virtually limitless.

Sincerely yours,

Tunku Ahmad Yahaya

MALAYSIA 4

Lim Siong Hoon reports on the economy

Slowdown in growth predicted

MALAYSIA is finding relief in predictions [redacted] point to a deceleration from last year's real growth in gross do[redacted] product of 10 per cent. This year is expected [redacted] see 7.5 per cent growth.

Double-digit growth [redacted] could hardly [redacted] been [redacted] tainable without worsening problems that stem from rises in inflation [redacted] the current account deficit.

The official inflation [redacted] stands at about [redacted] per cent although, according [redacted] some [redacted] to 7 per cent seems more realistic. The current account deficit stands [redacted] M$8bn, or 7 per cent of GNP this year, compared with M$400m in 1989.

Despite double-digit [redacted] of export growth, imports, mainly [redacted] capital goods, [redacted] rising [redacted] as rapidly so that [redacted] year's M$4[redacted] merchandise [redacted] surplus [redacted] erased this year. During the first quarter, [redacted] already M$1.8bn in [redacted]

Underlying [redacted] figures [redacted] the [redacted] expansion in [redacted] manufacturing sector, on which Malaysia's [redacted] growth for [redacted] depends.

In [redacted] manufactured goods accounted for [redacted] of [redacted] merchandise exports; [redacted] it [redacted] 60 [redacted] share [redacted] targeted [redacted] at least 80 per cent by the year 2000.

The importance Malaysia attaches [redacted] the manufacturing [redacted] points [redacted] the structural economic transformation under way. [redacted] 1988 and [redacted] approved [redacted] in manufacturing leapt 476 [redacted] M$28.3bn; they [redacted] still rising.

This explains why the [redacted] figures [redacted] far [redacted] have seen [redacted] big jump in imports such [redacted] specialised equipment for [redacted] and telecommunications, floating [redacted] and transport machinery.

Japan and Taiwan [redacted] becoming Malaysia's biggest trading partners and [redacted] incurred substantial [redacted] with them. This is predictable, since they [redacted] also currently Malaysia's [redacted] investors.

Between [redacted] 1983, Taiwanese equity in approved [redacted] eral million Malaysian dollars. Last year, [redacted] M$2.4bn. Taiwan and Japan's [redacted] contribution accounted for two-thirds [redacted] the [redacted] in foreign capital.

Backed by [redacted] influx of for[redacted] investment, capital forma[redacted] per cent from M$23.7bn in [redacted] in 1990. Aggregate demand [redacted] been strong, as [redacted] have risen, unemployment has dropped [redacted] 6 per cent, and consumption [redacted] turned brisk.

Malaysia's dilemma between moderating [redacted] and retaining its [redacted] growth has largely been [redacted] by tighter control of the money supply while restraining rises in interest rates. In the middle of August, the central bank tightened monetary policy, pushing up interest [redacted] in [redacted] interbank market, increasing banks' reserve requirements, and restricting loans [redacted] purchases of [redacted] cars. The [redacted] were designed to rein in rapid money supply growth and boost the savings rate.

[redacted] per [redacted] of 1990 GNP, the current account [redacted] was higher than Indonesia's (1 per cent) and Thailand's (4 [redacted] cent). It is [redacted] than in Singa[redacted] South Korea, [redacted] surpluses.

[redacted] external [redacted] may [redacted] sufficient to finance just 3.6 [redacted] of imports [redacted] year compared with 5.1 months in [redacted] although, in absolute terms, the [redacted] risen annually.

None [redacted] points, but they [redacted] putting Malaysia's economic management [redacted] test – [redacted] tackle [redacted] current account deficits, particularly in services; its foreign exchange rate policy; and its tax and [redacted] regime which [redacted] favour the manufacturing [redacted] tor and capital outflow.

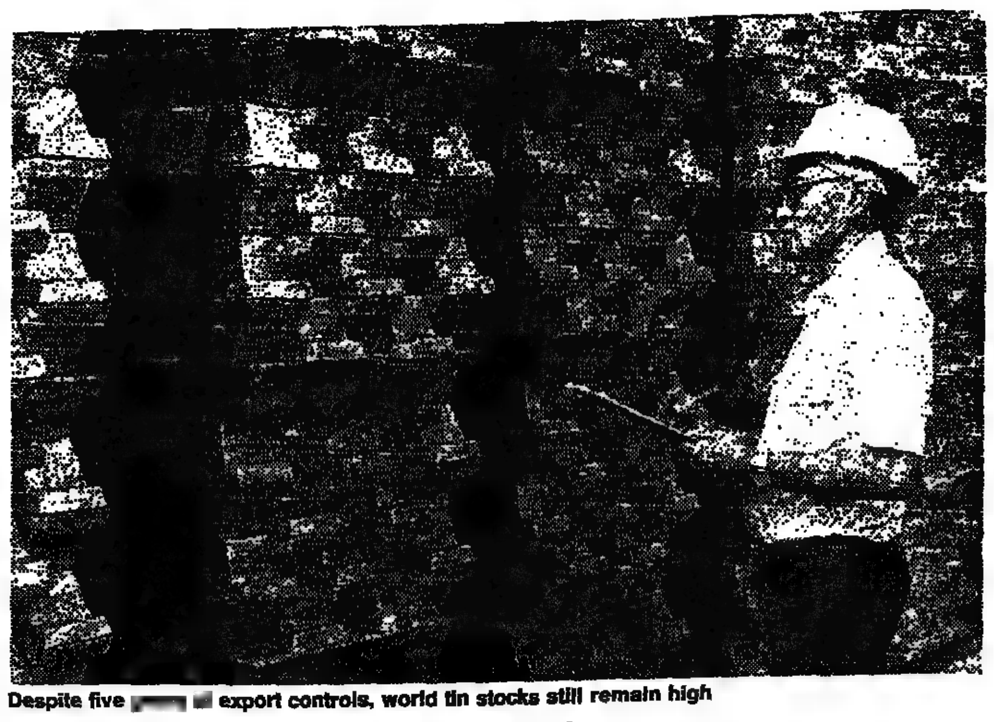
Domestic monetary measures and [redacted] policy to promote a surplus in services, for instance foreign tourism, have been the main tools of [redacted] nomic management. Tourism [redacted] grossed [redacted] Malaysia's central bank, said in London to be an important participant in the foreign exchange market, netted M$4.1bn in offshore "investment income", or 30 [redacted] of [redacted] receipts.

[redacted] the results [redacted] measures are inadequate. Suggestions have emerged in recent months [redacted] the [redacted] regime should be [redacted] promote retention [redacted] profits in Malaysia. It is [redacted] suggested [redacted] monetary policy should [redacted] adjusted [redacted] promote higher savings, [redacted] to [redacted] consumption and [redacted]

Slowly rising [redacted] year [redacted] may be under way. Over recent months, the prime rate [redacted] risen by 1 percentage point [redacted] 8 per cent, the highest level in more than [redacted] Further [redacted] in [redacted] likely [redacted] cautious rather [redacted] drastic, [redacted] this year's [redacted] growth [redacted] of 7.5 [redacted]

Economic indicators	1988	1989	1990	1991	1992
GDP (% change)	[redacted]	8.8	[redacted]	[redacted]	8.7
Agriculture (% change)	5.4	5.8	3.7	[redacted]	3.0
Industry (% change)	12.7	11.0	[redacted]	10.3	10.4
Manufacturing (% change)	17.6	12.0	[redacted]	13.0	[redacted]
[redacted] (% change)	7.2	8.2	[redacted]	[redacted]	9.5
Inflation(CPI) (% change)	[redacted]	[redacted]	3.1	4.0	4.5
[redacted] exports (US$bn)	[redacted]	[redacted]	28.7	[redacted]	[redacted]
(% change)	17.4	19.1	[redacted]	14.0	15.0
Merchandise imports [redacted]	15.3	20.9	26.2	31.4	[redacted]
(% change)	[redacted]	36.7	25.0	[redacted]	24.0
Trade balance (US$bn)	5.5	[redacted]	[redacted]	1.3	-1.3
Current acc't blnce (US$bn)	1.8	-0.2	-1.8	-1.6	-0.9
External debt (US$bn)	[redacted]	18.6	[redacted]	[redacted]	[redacted]
Debt [redacted] (%)	[redacted]	14.6	11.4	[redacted]	[redacted]

Source: Asian Development Bank



Despite five [redacted] export controls, world tin stocks still remain high

MINING

Recovery prospects remain dim for tin

THE [redacted] for [redacted] full [redacted] of the Malaysian tin industry remain dim, six years [redacted] collapse in world market prices of the [redacted]

[redacted] past year, [redacted] Lumpur tin prices have seldom risen above [redacted] a kilogram compared [redacted] M$15.49 and last year's M$16.50.

In an [redacted] lier this [redacted] Mr Lim [redacted] Yaik, [redacted] of primary industries, emphasised [redacted] present slump was worse [redacted] industry than the period immediately [redacted] price collapse. "There [redacted] limit [redacted] our [redacted] and [redacted] have [redacted] optimum levels of [redacted] tion," he said.

Malaysian output in 1980 [redacted] 61,400 tonnes, [redacted] largest. [redacted] a kilogram, [redacted] M$2.5bn as the country's fifth-largest commodity export [redacted] The industry employed 39,000 [redacted] ple.

A [redacted] later, employment [redacted] dropped [redacted] 8,000, production had fallen by about half, and earnings were down by [redacted]

[redacted] is offi[redacted] recognised. [redacted] the [redacted] unveiled in June, the government expects production [redacted] drop from 29,000 [redacted] last [redacted] to [redacted] tonnes by 1995. At the forecast price of M$16.00 a kilogram, tin will earn about M$730m, down by [redacted] cent [redacted] 1990.

Measures such [redacted] small [redacted] tax relief have been introduced to prevent the industry from terminal decline. [redacted] government attempts are focused internationally [redacted] than [redacted] home.

The [redacted] Tin Producing Countries, grouping Australia, Bolivia, Indonesia, Malaysia, Nigeria, Thailand and Zaire, [redacted] essentially [redacted] Malaysian initiative to control the flow [redacted] world supply in the hope [redacted] influencing prices. However, [redacted] years [redacted] export controls, world [redacted] – at [redacted] 45,700 [redacted] December.

Malaysia's difficulties in improving [redacted] domestic industry by influencing [redacted] world market [redacted] not simply from the absence of Brazil, now the world's largest producer, and China in the ATPC. Malaysia [redacted] unwilling [redacted] – for example by heeding miners' requests for lower land [redacted] – [redacted] search [redacted] high-grade [redacted] in order [redacted] produce [redacted] comparable to [redacted] Indonesia and Brazil.

In oil and [redacted] the other main exploration activity, the situation is vastly different. Malaysia has steadily pushed up [redacted] oil production, especially over the past [redacted] It [redacted] risen from 275,000 barrels per [redacted] in [redacted] to 622,000 b/d last year.

Petroleum, as the US Embassy in Kuala Lumpur observed in a recent report, "is not the key to Malaysia's economy, although it is [redacted] welcome addition." Its economic importance is likely to grow over the coming decade, principally because of changing demand [redacted] promote [redacted] a domestic [redacted] material resource.

In the past, Malaysia exported its low sulfur crude [redacted] premium while it imported cheaper Middle [redacted] for local consumption. This [redacted] changing: imports [redacted] fallen [redacted] per cent between 1980 [redacted] as [redacted] refineries process more local crude. While [redacted] output has [redacted] by 126 per [redacted] during [redacted] decade, its exports rose by 29 per cent. In value terms, exports actual fell by 19 [redacted]

Energy demand, [redacted] is rising more rapidly, at a forecast rate [redacted] 9.5 per cent annually from 1991 to 1995 compared with 7.7 per cent during the previous five years. Malaysia expects to double its refining capacity to 445,000 b/d [redacted] the Malacca [redacted] b/d refinery is ready by 1995.

During the early eighties, Malaysia attempted [redacted] conserve its crude through [redacted] Depletion Policy. But [redacted] policy gave way [redacted] a number of events, including a [redacted] in the mid-eighties.

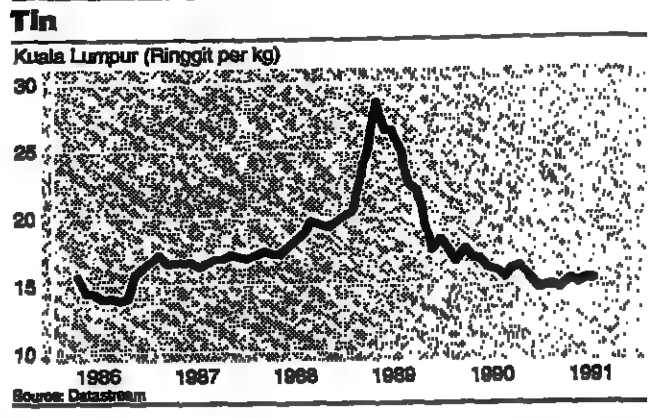
[redacted] it [redacted] given oil companies [redacted] terms under [redacted] production sharing [redacted] tract in order to raise the level [redacted] result, [redacted] con[redacted] joined Exxon and Shell in obtaining [redacted] contracts; drilling activity [redacted] from 70 exploration and pro[redacted] wells in 1986 [redacted] 145 last [redacted]

[redacted] so, present [redacted] about 3bn [redacted] would [redacted] depleted by [redacted] turn of the century [redacted] addition [redacted] reserves. [redacted] years, [redacted] official production [redacted] has been [redacted] 630,000 barrels, near [redacted]

[redacted] gas is gaining importance as an [redacted] energy source, as [redacted] source of foreign [redacted] and as fuel and feedstock for a number of steel, aluminium and petrochemical plants now [redacted] planned or [redacted] construction.

At nearly 57 trillion standard cubic [redacted] currently, Malaysia's [redacted] reserves are [redacted] 13th largest in the world. Annual [redacted] exports are [redacted] to rise by 11 per cent over the next five [redacted] Offshore gas will [redacted] drawn into a 730km peninsular pipeline beginning [redacted] year. Oil-fuelled power plants [redacted] rently being converted [redacted]

Lim Siong Hoon



AGRICULTURE

Fresh reforms are on the way

THE Malaysian government [redacted] try [redacted] reform [redacted] agricultural [redacted] for the [redacted] time [redacted] prevent it from falling [redacted] severe [redacted] Failure [redacted] may [redacted] political [redacted]

Previously, government attempts [redacted] reorganise land ownership had the [redacted] of fragmenting agricultural land and creating inefficiency. Now, the government [redacted] seeking [redacted] centralise management [redacted] return ownership [redacted] the pri[redacted]

[redacted] of [redacted] growth of manufacturing industry, agricultural commodities are no longer [redacted] mainstay [redacted] the [redacted] the past five [redacted] their share of [redacted] revenues has [redacted] 10 per cent while that [redacted] manufactured goods has nearly doubled [redacted] per [redacted]

However, [redacted] and political importance should [redacted] be under-rated. Agriculture still accounts for 19 per cent of gross [redacted] product – only slightly [redacted] from five [redacted] – and [redacted] the country's labour [redacted]

More [redacted] three-quarters of agricultural workers [redacted] Malays, by [redacted] largest proportion [redacted] sector [redacted] economy.

Malaysia gives substantial support to [redacted] Agriculture received nearly a quarter of federal capital expenditures between 1986 and 1990, excluding price support, cheap credit and [redacted] cost of [redacted] bureaucracy.

The spending [redacted] government's income [redacted] tion policy – boosting the role of indigen[redacted] Malays, [redacted] Bumiputras, in the [redacted] – and it [redacted] in the process, a strong political constituency [redacted] the ruling party, the United Malays [redacted]al Organisation.

In the [redacted] years of the New [redacted] Policy from [redacted] 1990, poverty was reduced from 51 per [redacted] of rural [redacted] 32 [redacted] according [redacted] government definitions.

[redacted] strategy was exceptional in scope [redacted] resourcefulness. Contractors [redacted] out ser[redacted] land from the fringes of jungle, planted seedlings, built [redacted] the utilities, then [redacted] keys.

[redacted] as [redacted] million people benefited [redacted] such schemes. They helped [redacted] Malaysia [redacted] world's largest palm oil producer [redacted] helped [redacted] rubber output when commercial plantations [redacted] retreating from the [redacted]

Today, state-sponsored farms and other smallholdings [redacted] for nearly [redacted] per cent of rubber output compared [redacted] 44 per cent [redacted] years [redacted] lier. They occupy 80 per cent of rubber-cultivated land, 53 per cent of oil palm and 56 per cent [redacted] cocoa.

This created, however, glaring differences in yields, productivity [redacted] levels between business-oriented plantations and [redacted] state [redacted] pushed [redacted] new [redacted] of [redacted] into the vagaries [redacted] world commodity markets where [redacted] influence [redacted] Malaysian government on [redacted] prices was greatly limited.

Foreign [redacted] policy, [redacted] by promotion missions in China and the Middle East, [redacted] called in [redacted] support.

[redacted] rubber prices, in real terms, [redacted] five-year low; [redacted] palm oil price [redacted] during the early 1980s [redacted] long dissipated.

And [redacted] are reflected in [redacted] incomes. Rubber growers' [redacted] monthly average income dropped 33 [redacted] cent from [redacted] oil palm farmers were worse [redacted] with incomes falling 50 per [redacted]

Charges [redacted] mismanagement [redacted] corruption have grown.

The government's view, how[redacted] is [redacted] system [redacted] ficient. It [redacted] the situation the farmers face to that of the plantations – [redacted] system organised by [redacted] colonists [redacted] keep down costs, [redacted] high-yielding [redacted] management and achieve high productivity – which [redacted] sur[redacted] equally tough times.

Individual [redacted] once handed [redacted] as an incentive [redacted] improve productivity in [redacted] farms. But [redacted] government [redacted] changing property rights [redacted] fragmenting land when economies of scale and central [redacted] ment are crucial to greater efficiency.

It now proposes to [redacted] the individually tenanted [redacted] holdings under private corporate entities, with up to 49 per cent of equity to be held by farmers themselves. Who holds [redacted] remaining equity [redacted] unclear.

[redacted] concept is modelled after a plantation [redacted] ship structure, [redacted] is probable that existing plantations may be given control in return [redacted] fresh [redacted] and [redacted] running [redacted] farms. Mr [redacted] Baba, the deputy prime minister, last [redacted] private, including foreign, [redacted] to support the changes.

Any acceptance [redacted] foreign [redacted] into [redacted] reforms will bring full circle Malaysian estate [redacted] ownership policy, which was hostile [redacted] foreign control [redacted]

[redacted] clearest indication yet that [redacted] policy reversal may be imminent came in June when Aarhus Ollie, the Danish [redacted] table refiner, bought [redacted] per [redacted] United Plantation from Fima, [redacted] food [redacted] privatised under a management buy-out. [redacted] gives [redacted] Danish 32 per [redacted] equity control [redacted] a combined foreign shareholding of more 50 per cent.

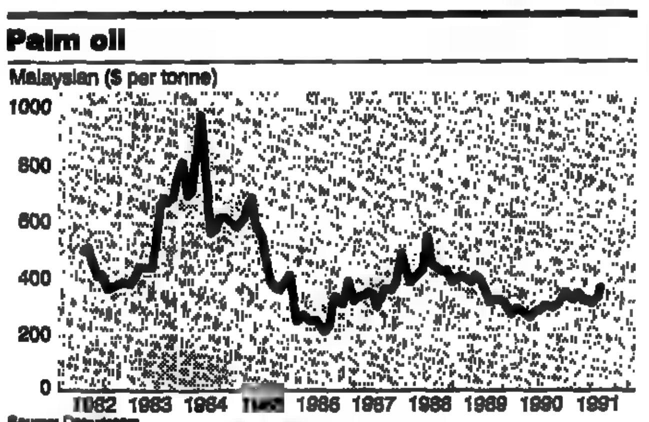
N[redacted] official explanation has [redacted] from [redacted] suggesting [redacted] the [redacted] ment [redacted] be moving discreetly on a sensitive [redacted] It may [redacted] weigh [redacted] redistribution policy against the need [redacted] up [redacted] accommodating big companies at [redacted] and abroad.

There [redacted] other compelling [redacted] for change. Output may decline because of strong rival demands from the industrial sector for land, [redacted] and credit.

In the past, farm output was raised primarily by opening [redacted] more [redacted] Now, this [redacted] nearly exhausted. Labour, too, is in short supply, with migrant workers, especially from Indonesia, increasingly [redacted] be [redacted] in Malaysian agriculture. The thrust of government spending on agriculture in the 1990s will therefo[redacted] be on improving productivity and infrastructure.

Lim Siong Hoon

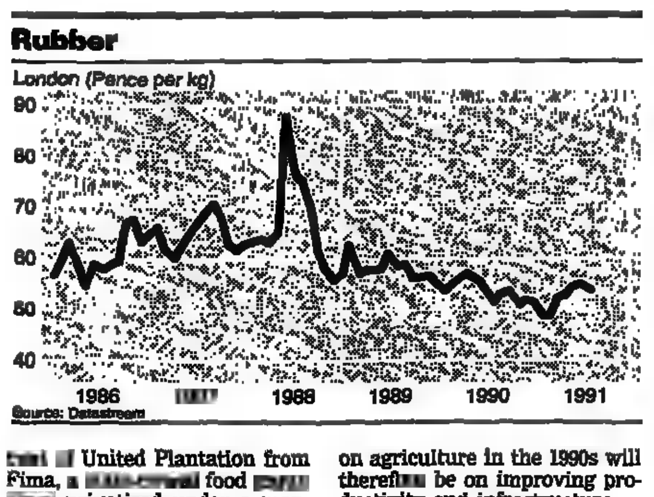
Rubber growers' net average income dropped 33 per cent



Production of main agricultural commodities (in thousands of tonnes)	1985	1986	[redacted]	[redacted]	1989	[redacted]
Rubber	1,470	[redacted]	1,579	1,662	1,422	1,291
[redacted] palm [redacted]	4,133	4,544	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	1,212	[redacted]	1,311	1,413	1,794	[redacted]
Sawlogs[1]	[redacted]	[redacted]	[redacted]	37,728	[redacted]	41,000
[redacted] timber[1]	[redacted]	5,424	[redacted]	[redacted]	[redacted]	[redacted]
Cocoa	108	132	191	228	250	262

[1]In thousand cubic metres

Source: Sixth Malaysia Plan 1991-1995



PROF

Trans

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Renong was a small, loss-making property company

The corporate sector is in fine health, writes **Alexander Nicoll**

Heady atmosphere prevails

MALAYSIA'S corporate sector is generally in fine health – as may be expected in a country which has been experiencing rapid economic growth for several years and is likely to continue to do so at least for another year.

Consumer products, property, construction, engineering, communications and other infrastructural companies are among those to have been doing well, in addition to banks and gambling resorts.

As an example of the heady atmosphere, new car sales rose 28 per cent last year – growth which led to government curbs on loans to finance car purchases earlier this month.

Many of the immediate concerns which surround Malaysian companies are those springing from the nation's success: labour shortages in some areas and wage pressures, worries about government measures to cool an overheating economy, fears of inability to continue to match high rates of profits growth.

The need to improve transport, communications and energy supply benefits companies involved in constructing the nation's infrastructure. Meanwhile, other companies are riding on the back of higher disposable income and consumer spending created by the investment boom and high employment. The plantations sector remains somewhat in the doldrums, reflecting poor world prices for the main export commodities, palm oil and rubber.

Malaysia still has some way to go, however, towards building a strong corporate base for the future. The present happy climate is created by strong economic growth, itself fuelled by heavy foreign investment in manufacturing goods in which Malaysian companies have limited direct interest – foreign companies are allowed to own 100 per cent of export-oriented operations.

The question of what will happen if this growth falters is one of the most serious facing government and business. When this day comes, it will provide a severe test of companies' efficiancy and management.

It is notable that despite government-sponsored attempts to boost business – particularly Malay business – there remains a dearth of genuine industrialists in Malaysia: people who have built up big industrial companies through entrepreneurial and managerial skill.

Many of the biggest companies rely heavily on receiving the government's business. In particular, the growing need to improve the country's infrastructure to match the growth of manufacturing industry has already been the source of many lucrative contracts and will continue to be under the spending targets for the recently published five-year plan up to 1995. Of contracts at present under way, the biggest is for the construction and operation of the north-south highway in peninsular Malaysia. A second crossing from Malaysia to Singapore will also be a source of large contracts shortly.

For Malaysian businessmen, political connections and clout are virtually essential for success. This is true not only for industrial companies seeking contracts, but also for financial services companies.

Merchant bankers admit that much of the capital markets transactions they handle are little more than paper-shuffling, with little role in development and growth of companies' operations.

The strictures of the New Economic Policy, that ownership of each company should be at least 30 per cent Bumiputra with 40 per cent owned by Chinese or Indian interests and 30 per cent by foreigners, have made companies very vulnerable to share transactions made for the short-term gain of shareholders rather than the longer-term interests of the companies.

The NEP is also a good source of business for banks and brokers. Many deals have been generated directly by the NEP, as companies going public must offer 30 per cent of the shares to Bumiputra investors. There are a large number of share swaps and other corporate restructurings.

Although the NEP has been replaced by the National Development Policy – which contains no specific targets for corporate ownership – the bodies which oversee capital market transactions still expect the same proportions in individual deals. They are expected to issue new guidelines soon, and may relax their positions somewhat.

These bodies are the Capital Issues Committee (CIC) and the Foreign Investment Committee. All capital market transactions must be approved by the CIC – and good political connections are very helpful in obtaining approval, bankers say.

The CIC must approve all details of a transaction before it can be launched, including share prices. Brokers say that many new issues are underpriced, leading to quick profits especially for the Bumiputra investors who receive shares as of right.

At present, foreign investors cannot subscribe to new issues and so must buy shares later, creating ready buyers for the quick sellers.

Dr Mahathir Mohamad, prime minister, has criticised the trend of Bumiputras to sell shares for quick profit and warned them that they must learn to manage their wealth and risk their capital in the development of businesses, and that they cannot expect government policy always to favour them.

Bankers support a push – now also adopted as government policy – to create a one-stop Securities Commission, replacing the two committees and the Registry of Companies.

They believe that as well as removing several levels of bureaucracy, a commission would take a positive role in developing Malaysia's capital markets.

It would also assume powers of surveillance and the ability to prosecute for malpractice in the markets.

The desire for a powerful, independent-minded regulatory body has been spurred by long-standing swirling rumours of insider trading.

The government has promised full investigations, but there have been few charges so far.

Also casting a shadow over the corporate sector as a whole – especially since the economy is becoming more developed – is the traditional close involvement of political parties in ownership of companies. Election campaigns are expensive in Malaysia and parties need strong finances.

The United Malays National Organisation (Umno), the dominant party, previously openly controlled large companies.

A study of these links by Mr Edmund Terence Gomez* of the University of Malaya argues that political links with business have produced favouritism through government patronage – especially in privatisation – and conflicts of interest, and have probably encouraged corruption.

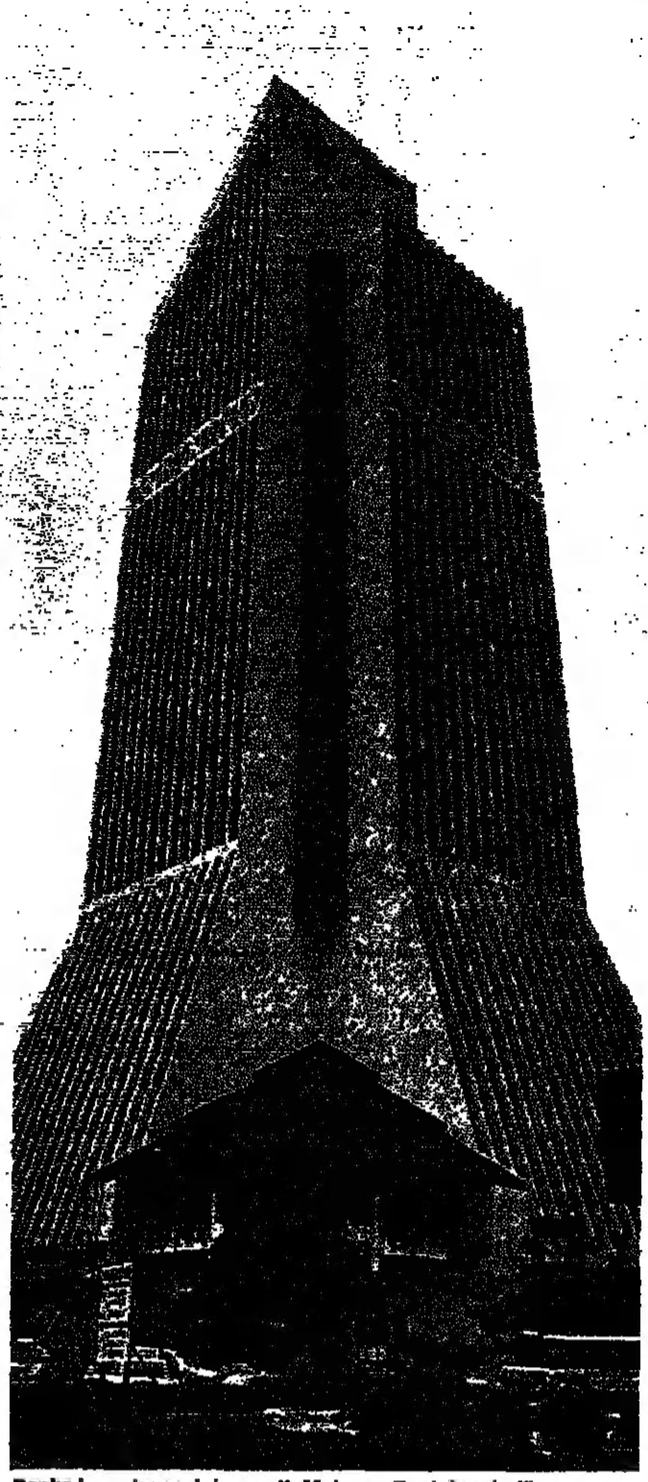
Government-owned agencies have been abused for the benefit of Umno's business interests, he says.

Most significantly, Mr Gomez says, "Umno's involvement in business has not really contributed to productive businesses under its control. Rather, the party has been primarily involved in capturing 'paper wealth' and transferring such wealth from one source to another to obtain quick profits."

Last year, many of those widely seen as "Umno companies" were regrouped into Renong, which was transformed through complex transactions into a conglomerate.

Dr Mahathir insists that Umno owns no companies, although he says that companies may be run by people sympathetic to Umno.

**Politics in Business: UMNO's Corporate Investments*, Forum, Kuala Lumpur, 1990. Also by Mr Gomez, *Money Politics in the Barisan Nasional*, Forum, 1991.



Banks have been doing well: Malayan Bank head office

■PROFILE: Renong

Transformed overnight

"IT'S a mixed bag without a core identity" is the cautious comment of one senior Malaysian merchant banker. Another ventures: "It's difficult to understand the structure. What is the core business?"

Yet the company of which they are unwilling to speak, Renong, is one of the largest conglomerates listed on the Kuala Lumpur Stock Exchange, with interests stretching into many areas of Malaysian life. It controls, among other things, the biggest construction project in the country; the New Straits Times publishing company; a television channel; large property, hotel and travel agency interests; and substantial banking and insurance businesses.

The reason for the caution – which extends also to reluctance among stockbrokers to publish research on the company – is Renong's "political" nature. It has become the holding company of many companies seen for several years as operating under the aegis of the United Malays National Organisation (Umno), the dominant political party.

Renong's chairman since last year – and a substantial

Renong was a small, loss-making property company

minority shareholder – is Mr Halim Saad, 37, a businessman with strong political connections. He is seen particularly as an associate of Mr Daim Zainuddin, former finance minister and still treasurer of Umno. Mr Halim Saad's wife is also a member of the five-strong board.

Until last year, Renong was a small, loss-making property company. But by a rapid series of takeover deals it was transformed virtually overnight into a massive, profitable conglomerate. Its structure was reformed again through another series of deals this year.

Last year's transactions necessitated a 238-page prospectus, and this year's a further 98 pages. What it calls its stable now includes more than 100 operating companies, including nine with stock exchange listings. It has only 27 staff, according to the second prospectus.

Merchant bankers see its transformation as the biggest example of the paper-shuffling nature of many stock market deals. One foreign stockbroker with long experience of Malaysia says of this trend: "We view these companies with a great deal of suspicion. They are a terror to analyse. Defunct companies change overnight. Stock prices are pumped up and then deflated. A lot of transactions are paper transactions when assets are suddenly pumped into companies. Investors' belief is suspended."

What is in Renong's stable? By far its most significant holding is a 39 per cent stake in United Engineers (Malaysia), which had been financially troubled but in 1988 won the contract to build the M$6bn North-South Expressway. It is expected to win the contract for the next large project, the second crossing to Singapore.

UEM owns half of, and Renong has an indirect stake in the other half of, Projek Lebuhraya Utara-Selatan (Plus), a specially-established subsidiary which is designing, building, operating and maintaining the highway and has the right to collect tolls.

As an example of the rapid changes in ownership within the group, Renong itself last year acquired a 50 per cent holding, via investment holding companies, in Plus. At the same time, it acquired a 2 per cent direct interest in UEM, and a 30.5 per cent interest in UEM via associates.

After this year's transactions, Renong had a 32.5 per cent stake (since increased) in UEM in order to benefit more directly from UEM's profits; Renong also sold its 50 per cent stake in Plus to Faber, another financial troubled group with large interests in property and hotels, which it simultaneously gained control of. Faber thus has a share of the tolls, and Renong has an extraordinary gain of M$630m.

Project management has been contracted to another UEM subsidiary, Kinta Kellas, and UEM also controls Cement Industries of Malaysia as well as other engineering, equipment and supplier companies involved in the highway project. Another Renong associate, has the contract to lay fibre optic cables along the highway.

Renong has forecast pre-tax profits of M$175m to $185m for the year ending June 1992, compared with an estimated M$75m to M$80m for the year ended June 1991, negligible profits in the previous year and losses for several years before that.

Although Renong is strongly placed for profits growth, the investment community will be seeking evidence of effective management, a simpler structure without more asset-shuffling transactions, and reliable track records for companies in the group, before relaxing its wary approach.

Because of the strong political orientation of the group – winning government contracts and operating press and media friendly to the government – investors would also need to be sure that political developments would not upset its progress.

Alexander Nicoll

Mahathir's target: a developed country by 2020

Dr Mahathir Mohamad, Malaysia's prime minister for the past 10 years, answers questions in an interview with Alexander Nicoll

FOREIGN AFFAIRS

Q: What is your view of Apec (Asia Pacific Economic Co-operation, a recently-formed grouping involving East Asian and North American countries as well as Australia and New Zealand)?

PM: Apec is an association of countries of the Pacific Rim – not all, some – which is formed in order to help them to interact with each other – maybe have a programme that will help some of the less progressive of the Apec countries. Apec is not meant to be a grouping that will negotiate international trade with other groupings. It is merely a grouping that will work with each other in order to promote better co-operation and help especially the less developed countries with expertise, with training programmes, etc. So that is the function of Apec which is confined to the members. It does not interact with other groups.

Q: Does that mean that it does not exclude the possibility of other groups from being formed?

PM: No, obviously it does not because in the Apec group there is already the Asean (Association of South East Asian Nations) group, then there is Nafta – North American free trade agreement between Canada and the USA and, of course, eventually with Mexico, maybe even other countries. So it is quite possible for the members of Apec to belong to other groupings.

Q: And you consider that other groupings in this region are necessary?

PM: Yes. These other groupings have got different functions. So, each can carry on with the function that is specified, specific for that grouping.

Q: Are you happy with the progress of your proposal (for an EAEG: *East Asian Economic Grouping*) and the proposal for an Asean free trade area?

PM: Well, some day it (the free trade area) has to come about. I suppose for the Asean. That's confined to the six countries, members of the Asean group. A free trade area is not going to come along very soon because there are many problems faced by us including the fact that we are competing economies. We produce practically the same things and for that very reason our trade is orientated outwards rather than inwards.

Trade between Asean countries is very small. We like to increase it but there is a limit. Obviously Malaysia cannot sell rubber to Indonesia or Thailand, because they are producing rubber and they are selling their rubber outside of Asean. But there may be some items that we can complement the other, then we can do trade there.

Q: What about EAEG?

PM: The EAEG is not a trade bloc. It is merely a forum which will bring countries of East Asia together. The reason why it's confined to East Asia is because there are already similar groupings, the EC for example and America itself, even without Canada.

Normally in international negotiations on trade, whether we like it or not, the concentration is on the conflict between EC and America. Small countries attending this Gatt meeting receive scant attention simply because we are not big enough. In order to draw attention to our problems, it is necessary that we have a bigger grouping. Not a trade group or anything like that, but just a forum. And if we have a forum, before any international negotiation we can meet and formulate common approaches.

Now that is not such a rare thing. For example the Cairns Group, in which the US is also a participant, but it is confined to agricultural products and they put up a common front. So I don't see why we cannot form a group that is geographically defined and yet have certain similarities. Certainly this geographical definition would not include countries which already have a geographical grouping of their own.

Q: And not countries on the other side of the Pacific?

PM: Yes, Canada, America.

Q: Are you happy with the progress that your proposal has made so far? It seems quite a lot of people have some reservations about it.

PM: Yes. The reservation really is because there is a distinct fear that this is not liked by the US. That is the one single factor that is holding it back. I think if the US were to say Yes, everybody will come together.

Q: And what do you think are the chances of the US saying Yes?

PM: We have tried our best to explain. We have explained that it is Gatt compatible and it is not a trade bloc, it is not even anywhere near the Nafta concept, or the EC concept. So I frankly do not know what else we can explain as to the innocuousness of the EAEG.

Q: What is your opinion of Japan's proposal that security issues be discussed at the Post-Ministerial Conferences (an annual meeting between Asean foreign ministers and their counterparts from big trade partners – US, EC, Japan, Canada, South Korea, Australia and New Zealand)?

PM: We feel that while we can discuss security matters in the PMC, it should not be an exclusive forum for security. It can be one of the subjects that we will discuss. If the PMC is used exclusively for security matters then it would look as if it is a sort of alliance, and that is what we are trying to avoid.

Q: As long as it is not exclusive, you are not against it?

PM: We are not against it.

Q: Do you think that is in fact what will happen?

PM: I think so. It is quite impossible to make the PMC an exclusive grouping simply because there's China and Russia knocking on the door. One day they will be dialogue partners, then the PMC will include them. If we are going to say, that with them, we cannot discuss security, we are assuming that they are going to be the enemy. And we would not like to define anyone as the enemy.

SOCIAL AND ECONOMIC POLICY

Q: What are the main differences between the National Development Policy (NDP) and the New Economy Policy (NEP)?

PM: There is not very much difference. The reason for that is because we, after making a thorough assessment, feel that the NEP was a good policy and it has achieved its objectives, not fully, but it has done so in the context of stability and economic growth.

We feel we have a winning formula and we don't think we should go off the track too much. The only thing we are saying is that instead of determining the target within a certain period of time, we say that we will give ourselves any amount of time because we are looking now for quality rather than quantity.

In the NEP we specify that we should have 30 per cent for the Bumiputra, 40 per cent for the Chinese and 30 per cent for the foreigners. Thirty per cent for the Bumiputra would become meaningless if they had no skills to manage their wealth. It will fritter away, it will go back to the others and we have seen this happening in fact.

We take a lot of trouble to allocate to them (Bumiputra); shares and all that. They buy the shares and when the shares appreciate they sell off the shares and they are not in possession of the amount of corporate wealth they should be having. So our focus now is on skill development, skill to manage wealth among the Bumiputras.

Q: How do you think that can be achieved?

PM: A lot of exposure, more training, more selective allocation. We go back to their track records, performances and arrange increasing training facilities for that.

Q: *Management school, basically?*

PM: Management school. As a matter of fact we have founded a university totally devoted to management because we feel that management is one of the most important skills that the Bumiputras, or for that matter Malaysians should have. The university is not meant for Bumiputras alone. It is open to everyone.

Q: I was quite struck by some of the language you used in the speech (introducing the National Development Policy) that Bumiputra cannot expect economic policies always to favour them, that their influence in the government may diminish and the government may no longer be willing to formulate policies to help them. They are quite strong words are they not?

PM: They are and we believe in what we say. We feel that no group should depend upon political patronage. It is not a durable thing. But if we have the skill to manage our wealth, it doesn't matter who is in charge, they are going to succeed. That is why the stress is more on their skills, to manage rather than political patronage.

POLITICS AND BUSINESS

Q: There is close linkage between political affairs and business affairs, and a degree of patronage. Do you not feel this is a dangerous impression to give?

PM: No. When we say patronage, we mean definite policy in favour of the Bumiputras as included in the NEP and the NDP. This is what I mean by patronage.

Patronage does not mean that you give special consideration to your friends. But obviously you have to favour Bumiputeras in order to give them a chance. There is no way they can compete against people who are much more skilful than themselves. So to that extent we have to give patronage. Obviously if they have a government that is unfriendly to them, they are not going to get that kind of help.

The other thing is that we are friendly with all businessmen. You may notice that the government, I myself, have been accused of helping friends. But there is not a single businessman in this country that I cannot call my friend, because I help everybody; because we feel that the job of government is to help the private sector succeed. Because when they succeed then we can collect taxes from them. If they fail, this country cannot develop.

We believe in the free market system; in private enterprise. And government must help private enterprise. Whether they are Chinese, Malays or Indians, it doesn't really matter.

Q: Nevertheless there seems to be a bit of a cloud hanging over things. There are allegations over insider trading. Last week a minister announced that people were to be charged the next day on insider trading. But then nothing more was heard.

PM: No, it just shows that the government will take action. It is the government which reveals all these things and we will take action against anybody who does anything that is wrong.

A minister may make an announcement that the next day somebody is going to be arrested. But it is not the minister who decides on the arrest. It is the people who are conducting the case. They will have to have the right evidence and reason for taking action. On that we have no control.

But as far as we are concerned, something wrong has happened and it is up to the authorities to take action. If we were to direct how it should be done, then that will be interference with the process of law.

Q: *Are you completely unconcerned* then about any link between Umno (the ruling party, United Malays National Organisation) and business?

PM: We have no links with companies. But there may be people who are sympathetic to Umno who are running companies. That we cannot help. There are companies which are sympathetic to the opposition. We do not accuse them (the opposition) of running companies. We are quite definite that we have no business involvement as a party.

THE ECONOMY

Q: The government has been very *successful in attracting foreign* investment. How concerned are you about the degree of technology transfer and skill transfer?

PM: We are concerned but we are also realistic about these things. Technology transfer can take place if there are recipients capable of receiving the technology. And we don't have that many people who are trained to learn and utilise that technology. So we are going to be patient about it.

We have learnt quite a lot of things definitely since there has been a lot of foreign investments. But if we cannot absorb all the technology now, we will absorb them later.

Q: What is the overall state of Malaysian industry at the moment?

PM: I think we are doing very well. Obviously economic growth is high, much higher than most developing countries. There is every evidence of prosperity in the country. There is a greater degree of consumption and people are making more money. So everything points towards a very good record of economic growth.

Q: *Are you not concerned of the* possibility of some overheating in *the economy?*

PM: We monitor these things very carefully and we hope to be able to anticipate any tendency towards high inflation, too much imports etc. For example, if we notice that imports of goods go up too high we will immediately increase the tax. We have a lot of weapons in our armoury so to speak and we monitor things very, very closely. Inflation in this country as you know is very low. It does not just happen. We have to constantly see that it does not go up too fast.

VISION 2020

Q: Can you explain Vision 2020; *what it is and its purpose?*

PM: What we say is that by the year 2020 we should be a developed country.

The natural thing for people to assume is that we should have a per capita income that is the same as other developed countries. We are not looking at per capita income alone. We are thinking of the quality of life. We want to retain our culture. We want to retain our family system, we want to retain the values we have. We don't want to be too hedonistic and forget our roots.

So in order to ensure that the worst aspects of development does not displace our values, we will have to educate the people as to what we mean by a developed country. It is quite meaningless to have a per capita income that is 10 times what we have now. It can be 20 thousand dollars per head but at the same time the cost of living goes up ten times.

As you know M$2.70 Malaysian ringgit is equivalent to US$1.00. But in terms of purchasing power they are actually the same. With that Malaysian ringgit, you can buy as much food in Malaysia as you can buy (with a dollar) in the US. So for us this low rate of inflation, this low cost of living is very important. So all these things are to be taken into consideration.

Q: *How are you bringing Vision 2020 into effect?*

PM: Firstly, our people must be capable of making the adjustments from an agricultural society to an industrial society. And they then need to be retrained to be able to handle industries at all levels, so that they can help increase productivity which is the most important thing. And if we can always contribute towards greater productivity of this nation, we are going to grow economically.

We will have to have a political system that is stable, that will convince investors, both domestic and foreign, that when they put money in Malaysia they will not lose it, they gain by it.

We want to ensure that the education system changes in keeping with the changes taking place in a gradually industrialising society. For example now, we have a subject called Living Skills, a society that is oriented towards industry rather than agriculture. So a lot of things have got to be done. People as a whole must understand what is meant by developed society. So we are going around informing people that this is what will happen. It is not something that will just happen. They will have to make adjustments, the best they can. We will have to help them.

Q: Is it necessary to have a big increase in Malaysia's *population?*

PM: Whether we like it or not there is going to be a big increase in Malaysia's population. As you know our policy is to have 70 million people by the year 2100. That is government policy.

Unfortunately the present rate of growth will mean that by the year 2050, 50 years early, we would have achieved 70 million. At present we are increasing at the rate of 360,000 a year; 1 million every three years. And that is far too fast.

But we feel that as the country becomes more industrialised, more urban people, there will be natural tendency to reduce the rate of growth. So if we increase at the present rate, by the year 2050 we would reach 70 million. But as the rate of growth tapers off, the numbers will not be that great. We are not suddenly going to have 70 million people. It will be gradual.

ROLE OF GOVERNMENT

Q: Do you think Malaysia still needs a strong government to lead *it into the developed world? Is* there a cost to that?

PM: Yes. For some people there may be something that they call a cost to this. But if they really add up and look at the bottom line, actually it is good investment for them because in the end they are going to gain. We are not going to gain anything by having weak governments as in some countries which get toppled over every now and then, and then you have elections during which hundreds, thousands of people are killed, the economy disrupted, people are poor, and starving.

That kind of thing will happen if we have weak governments. A strong government can ensure stability, provided of course the strong government is conscientious and dedicates itself to doing the right things. Strong governments which are oppressive are not what we are after. But that will not happen because there will be elections and people will have the chance to replace the government that has lost interest in the people.

So far, this country appears to appreciate strong governments. I still think that at our stage of development we need strong government. There may come a time when we are fully developed in which case governments are actually superfluous as in some society. At that stage maybe we can have a weak government, but not now.

Q: *One of the costs would be that* there will not be a great deal of *criticism. For example, the* newspapers do not contain much *criticism of the government.*

PM: Which newspaper in Malaysia do you read?

Q: Well, I have read several. The New Straits Times, Business Times, Star, they are all clearly in favour of the government.

PM: You have not read Harakan, Watan, Rocket, several Chinese newspapers, several Tamil newspapers and also a number of Malay mosquito newspapers which have never written anything good about the government. They are full of scandals.

But then most foreigners will read only the Straits Times, at the most the Star. And like all countries there are newspapers which favour the government, there are newspapers which are against the government. The same thing in Britain, I think you have Conservative papers, you have Labour papers. The fact that the Conservative government is in power and there are Conservative papers does not mean that there is no freedom to say things against the government. It is the same here.

I can assure you. We can give you translations of some of these papers and they say a lot of nasty things about the Government. They still publish. There is freedom of speech in this country. If you listen to some of the speeches of the opposition in the current by-election, you will know the kind of things they say. And in Parliament, they are using parliamentary immunity. They said that we are involved in 10 separate scandals and when we challenge them, you go outside and say it, they kept quiet. So there is freedom of speech in this country. Whatever other people might say, we insist that there is freedom for the people to support the government, for the press to support the government.

Q: After 10 years in office, what would you say is your greatest achievement and your greatest disappointment?

PM: It is very difficult. I see this as a continuous process. Initially, naturally people don't understand what I am doing. And my political enemies, people who want to take over the office, say all kinds of things and there are always people willing to believe them. Now their credibility is no longer there, so it would seem that I have now changed into a good man. I don't know. I haven't done anything now that I have not done before.

My disappointment perhaps is people are so gullible and refuse to see that people are saying this because of their own political ambition. I am glad to be able to prove that some of the things I set out to do are now recognised as good things, the correct things.

Technology transfer: 'We don't have that many people who are trained... So we are going to be patient about it'

Mahathir: extraordinary resilience and determination

■PROFILE: Dr Mahathir Mohamad

Constant source of fresh initiatives

A TRIUMPHANT headline in *the New Straits Times* in July proclaimed: "Move into heavy industries was right, says PM".

Dr Mahathir Mohamad was speaking as the 300,000th car rolled off the Proton Saga production line – the focus of his costly push into heavy industries in the early 1980s. After large losses, that policy has long since been buried and replaced by a successful drive to attract foreign investment in lighter manufacturing.

But with the losses already taken and the Proton Saga now everywhere visible and a reliable national car – some are also sold abroad – Dr Mahathir could not resist claiming success for the policy "contrary to the arguments put forth by critics before."

This sort of thing may be maddening for those critics, but it is testimony to Dr Mahathir's extraordinary resilience and determination, *not at all dimmed by 10 years* at the head of the government. It also shows that he remains, despite the assurance provided by long tenure of office, very sensitive to criticism.

At 65, he has survived expulsion from his party as an "extremist" in 1969; as prime minister, the mid-1980s recession and austerity policy partly necessary because of the costs of the earlier industrial foray; huge losses and scandal at Bank Bumiputra; a damaging split in his own party and challenge to his leadership; the opposition stirred by detentions of politicians, suspensions of judges and bans on newspapers; political setbacks in the Eastern Malaysian states of Sarawak and Sabah; huge losses from a vain *attempt* to hold up world tin prices and the subsequent closure of the majority of the country's mines; and, in 1989, *a heart attack* resulting in urgent bypass surgery.

Dr Mahathir remains as energetic an advocate of his policies as ever.

He is a constant source of new initiatives: laying plans for the next century with his "Vision 2020", and fervently arguing *for* an Asian trade group to counter the protectionist blocs he sees in the western world.

Malaysians admire their prime minister for the higher profile he has given the country internationally, and his outspoken approach to other countries. Here too, he has gone full circle, with his "Buy British Last" campaign now replaced by much warmer relations with London.

The first prime minister not to come from an aristocratic background, Dr Mahathir began his premiership by trying to make government servants more responsible and efficient, forcing them to wear name-tags and punch time-cards when beginning and ending work. He himself still wears a name-tag.

Ten years later, his focus is more on maintaining what he sees as traditional values – avoiding a headlong rush to materialism – as the country becomes more developed.

He has been accused of being autocratic. Although he has taken some ruthless decisions, he defends the need for strong government to maintain stability. He has argued that democracy does not mean individual rights, but the will of the majority, and that the *individual does not have the* right to act if the majority are hurt. Believing that what is right for developed countries is not necessarily right for developing ones, he is fiercely critical of western countries which seek to link economic co-operation to a developing *country's human rights* record.

Dr Mahathir's tight hold on power springs from his shrewd management of the party machine, rewarding loyal lieutenants who have depended on him for their political careers. He is tireless, maintaining a grasp of all aspects of government in a manner reminiscent of Mrs Margaret Thatcher, the former British prime minister.

Inevitable question about the identity of his successor

Indeed, comparisons with Mrs Thatcher are easy to draw – leading to the inevitable question, being asked increasingly in Malaysia, about the identity of his successor.

Dr Mahathir appears to favour Mr Anwar Ibrahim, who became finance minister in March this year. His activities in the Islamic Youth Movement – made up mainly of urban middle-class Malays – led to his detention under the Internal Security Act during the 1970s, but he was brought into the United Malays National Organisation (Umno) and the government by Dr Mahathir in 1982 and has since been promoted repeatedly.

Mr Anwar's abilities as a senior minister, however, are regarded as still unproven. If Dr Mahathir were to depart from office for any reason in the near future it would probably be too soon for Mr Anwar.

The deputy prime minister, Mr Ghafar Baba, would be a contender, particularly if the view in Umno was that a short-term tenant of the top office was needed. Also in the wings are Mr Ahmad Badawi, the foreign minister, who fell out with Dr Mahathir in 1986 but was *later* rehabilitated, and Mr Sanusi Junid, agriculture minister.

But Dr Mahathir gives no sign that he is ready for such changes to occur just yet.

Alexander Nicoll

■FOREIGN RELATIONS

Changing priorities

MALAYSIA has assumed a new assertiveness in its conduct of foreign policy. Over the past year, it has spawned a series of initiatives, most notably *for* a proposed free-trade alliance of Asian countries.

Dr Mahathir Mohamad, prime minister, recently visited three South American countries under the aegis of the "South-South" Group of 15, an organisation which Malaysia helped to found from the non-aligned *movement* to promote trade among developing countries.

The new assertiveness reflects, in part, the personal imprint of Dr Mahathir. But it is also driven by changing priorities. For Malaysia and its neighbours, the greatest threat is no longer seen to come from communism, but from protectionism.

Malaysia has always been highly exposed to the economic fortunes *of the* industrialised world. Its vulnerability to falls in commodity prices is now coupled with its dependence on foreign investment in manufacturing industry, the driving force behind economic growth, and on export markets for the manufactured goods.

Dr Mahathir, never reticent on external relations, has directed his sights at protectionism in the west. He is suspicious of the free trade agree*ment between the US, Canada* and Mexico, and of what he calls "closed regionalism". He told *foreign* ministers *of* the Association of South East Asian Nations (Asean) at their July meeting in Kuala Lumpur: "Managed trade, bilateralism and trading based on reciprocity endanger the open multilateral trading system, and consequently the growth of world trade."

He has strongly attacked attempts by industrialised countries to link economic aid to the protection of human rights, arguing that this is interference in the affairs of developing countries, and amounts to protectionism by other means.

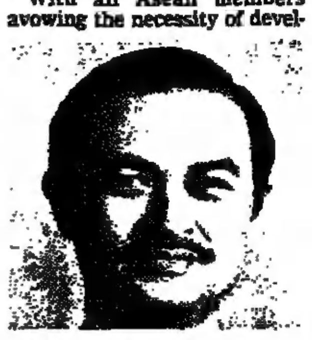
This is the rationale behind *his* proposal last December for an East Asian Economic Grouping (EAEG), involving south-east Asian countries and their northern neighbours, as a consultative group rather than a bloc. It would, he said, provide "the leverage and a platform to act in concert and speak with one voice with regard to any trade problems or trade-related issues that affect us directly or indirectly."

The suggestion, predictably viewed with disdain by industrialised nations, has more significantly found scant support among Malaysia's partners in Asean. It has helped to expose internal jealousies within Asean and confusion about its future role.

Other Asean members have shown themselves less willing than Dr Mahathir to irritate the industrialised countries upon whom they depend for investment, exports and security. They also resented the abruptness with which Malaysia sprung the idea upon them, without consultation and without a clear idea of an EAEG's role or purpose.

The proposal threw Asean off balance as it seemed to put Malaysia ahead of its neighbours in setting their future agenda at a time when they were still digesting the full implications of east-west rapprochement.

With all Asean members avowing the necessity of developing close economic ties – but each having a different idea about how this might be achieved – the task of developing a new economic and political role for Asean is among the most urgent *facing* Malaysia and its partners. Several quietly back the favoured route of the US and Japan: Asia Pacific Economic Co-operation, a grouping which includes North America, Australia and New Zealand but has yet to develop an identity or role.



Foreign minister Ahmad **Badawi: new assertiveness**

January's summit of Asean leaders in Singapore will provide an indication of the cohesion and future significance of the 24-year-old association.

This is particularly important as resolution of the crisis in Cambodia draws nearer – previously the chief item on which Asean members could agree. An end to the crisis would unlock foreign investment in Vietnam and could propel the whole of Indochina towards economic revival, which could allow it to challenge Asean members for foreign investment and export markets.

Meanwhile, however, regional disputes continue to simmer. Most notably, Malaysia and four other countries lay claim to the Spratly islands in the South China Sea, a region which is said to contain oil and gas as well as fish. As *countries move towards* deeper waters and away from the depleted continental shelves, territorial disputes would tend to loom large in the future. The Malaysian peninsular continental shelf is expected to be exhausted of known oil reserves within 10 years.

One of Malaysia's nagging disputes, however, is continuing despite a visit in July by Mr Gareth Evans, Australia's foreign minister. Australia acknowledged that offence had been caused by – but did not apologise for – an ABC television series, *Embassy*, which Malaysia took to be insulting. Officials said the acrimony had all but frozen relations between the two countries.

The decline of communism, *though not yet as evident in* Asia as in the rest of the world, has posed the question of how best to approach the region's security. The US is scaling down its military presence, and its agreement with the Philippines on closing Clark air base has raised new questions about deployment of forces.

Malaysia and its regional partners are nervous that India may want to play the role of a regional superpower, and apprehensive about Japan's more assertive diplomatic profile in regional discussions. Their position on the US view, that regional security should be taken care of by a loose framework of alliances with itself at its centre, is not clear – the concept runs parallel with economic co-operation via Apec.

Dr Mahathir's invitation to the Soviet Union and China to attend the recent Asean meetings as observers and as Malaysia's guests revealed confusion about the future means of discussing regional security. It coincided with proposals that the Asean meetings should be used as a forum to debate security issues with industrialised countries.

Meanwhile, however, the Five-Power Defence Arrangement involving Malaysia, Singapore, Britain, Australia and New Zealand, is strong as US Pacific forces are being reduced. Relations with Britain are especially warm, reflecting Britain's defence equipment sales to Malaysia, and are a far cry from Dr Mahathir's "Buy British Last" campaign in the early 1980s.

Lim Siong Hoon and Alexander Nicoll

Lim Siong Hoon examines the Cocoa Board

Focus on research

WITH M$7m in an initial government grant, the Malaysian Cocoa Board has just set up *shop in Kota Kinabalu*, capital to Sabah state, the source of half of national cocoa output.

The board is the cocoa industry's most powerful federal authority. It will attempt to regulate without impinging on the business. It will also research ways of raising farm output and of promoting industrial and consumer uses of the commodity.

"Developing agricultural countries tend to focus on production research rather than on industrial research," says Mr E. B. Tay, who as the deputy director-general must combine the roles of bureaucrat and scientist to head the cocoa board's research division.

The division aims to conduct both types of research, especially in finding new uses for cocoa, both as a food and as a non-food commodity. "This takes a long time," says Mr Tay. "But, I think the government's approach is the right one."

The board's other main function is marketing and regulatory work.

For more than a decade, domestic and international transactions in Malaysian cocoa were based on external authorities, usually African cocoa physical quality stan*dards or, ambiguously* it seems, on the notion of "fair, average quality".

Malaysian beans are now to be graded on a standard set of six quality levels. These will be based on bean size uniformity (100 beans per 100g is the optimum), the degrees of mouldiness, fermentation and insect infestations.

This regulatory work covers the issue licences for virtually all levels of activities, from planting (six hectares and more) and bean collection to trading and grinding. Although licensing is merely a formality, it is also an effective tool to obtain compliance in compulsory grading.

This system is necessary not simply to set tangible standards, which were not available to most buyers and sellers *before, but also to support* the marketing efforts because graded sales are now legally binding.

The measures will help build a reputation for cocoa – because Malaysia is new to the field and because Asia-Pacific countries, the target of the Malaysian *promotional drive*, know little of the product.

The Asia-Pacific "is a brand new market," says Mr M. J. Musa, also a deputy director-general and a scientist who heads the board's marketing and regulatory division.

To ordinary Asians, cocoa has always had the image of an expensive imported product, although cocoa costs just 10 to 12 per cent of the price of chocolate. To some businessmen, it is an African crop sought after by European or North American chocolate makers.

Swiss annual consumption is 4kg per head. The Japanese, who have equivalent income levels, each consume just 600g. But Asian consumption is rising fast: 8 per cent yearly in South Korea and Japan.

Last year, Malaysia sent a team to China, where consumption stands at 200g per head. The results have been encouraging. "They have since sent back three missions to source for raw materials," says Mr Musa who wants to persuade the Chinese to drink cocoa as much as they drink tea.

"I think it is easier to convince them to take a cocoa drink than to convince the coffee drinkers," he says.

"Now they are poor. We don't expect them to be poor forever," adds Mr Tay, who says that the board has the task of identifying different cocoa products for different markets.

The importance of the board's role in the domestic cocoa industry suggests why it exists since 1989 under a parliamentary Act. It is symbolic of the national ambition not just to be a big cocoa grower but also to be a world-class manufacturer of cocoa products.

In the decade to 1989, Malaysian cocoa bean production rose from 40,000 tonnes to 255,000 tonnes, or from 2 per cent of world total to 10 per cent. It used to export all its output, but in 1989, 20 per cent of production was *sold* to domestic processors producing cocoa butter and powder, the ingredients for chocolates and cocoa drinks.

Individual grinding capacities have doubled and trebled within the past two years. This year, the national capacity is expected to be about 90,000 tonnes, the equivalent of 33 per cent of the 280,000 tonnes in bean output forecast.

To this intermediate, second industrial layer of bean processors, Malaysia hopes to add a third: an array of food and industrial users of cocoa products as well as the handful of chocolate makers. Research is seen as the board's most important contribution to this field.

The board's entry into the industry is made difficult, but relevant as a result, by a world market slump, with prices at a 12-year low. Nearly all farmers are losing money, and little expansion in terms of cultivated land is expected.

Yet, Mr Tay foresees that annual output is likely to continue rising so that by 1995 Malaysia will be producing about 400,000 tonnes, more than 40 per cent above current levels.

The board has set a target of raising the national average yield – already the highest yield anywhere in the world – from 600kg a hectare to 1 tonne. Some estates already produce 1.5 to 2.0 tonnes per hectare.

KEY FACTS

Area	329,758 sq km
Population	17.8 *million* (1990 estimate)
Head of State	Sultan Azlan Shah, the Yang di-Pertuan Agong, or King
Currency	Malaysian dollar or Ringgit (M$)
Average Exchange Rate	1989 US$1 = M$2.71
	1990 *US$1 = M$2.70*

ECONOMY	1989	1990
Total GDP (US$bn)	37.5	42.5
Real GDP growth (%)	8.8	10.0
GDP per capita (US$)	2,154	2,388
Components of GDP (%)		
Private Consumption	52.1	53.8
Total Investment	29.6	33.6
Government Consumption	14.0	13.3
Exports	73.8	78.3
Imports	-89.5	-79.0
Consumer prices (% change pa)	2.8	3.1
Public external debt (US$bn)	13.8	13.5
Reserves minus gold (US$bn)	7.8	9.7
M1 growth rate (% pa)	17.3	n.a.
Discount rate (% pa,year end)	4.4	6.8
FT-A Index (% change over year)	+59.0	-7.3
Current Account Balance (US$bn)	-0.2	-1.7
Exports (US$bn)	24.8	28.9
Imports (US$bn)	20.9	27.2
Trade Balance (US$bn)	3.9	1.7

Main Trading Partners (*1990, % by value*)	Exports	Imports
Singapore	23.0	14.7
USA	16.9	16.9
Japan	15.3	24.1

Source:IMF, Datastream, Economist Intelligence Unit

Alexander Nicoll examines political developments

A challenge for the future

MALAYSIA can rightly claim to have a more developed democratic system than many other Asian countries.

Although the same party, the United Malays National Organisation (Umno), has been dominant since independence from Britain in 1957, its hold on power cannot be taken for granted. And although its dominance – and the protected status of the Malay majority – means that Malaysian politics is often synonymous with Malay politics, it is by no means as simple as that.

The country's federal structure makes state politics very important. Politicians in Kuala Lumpur depend on power bases in their home states. This means that issues which are primarily local have a means of attracting attention, keeping the capital in touch with the grass roots.

Umno does not control all the states, but has managed to maintain a grip on power nationally. This achievement is due partly to the economic success of its policies, partly to the extraordinary personality of Dr Mahathir Mohamad, the prime minister, and partly due to effective constraints on the dissemination of dissenting opinions.

Umno must constantly seek a balance between the different interests which keep it in power.

On the one hand, it is completely dependent on retaining the support of Malays, who make up about half the 18m population. Its traditional backing is among rural Malays, agricultural families who were formerly the backbone of the economy. With the growth of industry, Malays have been actively encouraged to move to urban areas to seek employment. This has created a new set of concerns which Umno needs to address to retain support.

A long and wounding struggle which developed within Umno in the late 1980s resulted in Tengku Razaleigh Hamzah, the former trade and industry minister, leading the breakaway party Semangat '46 (Spirit of 1946). This is a reminder of competing claims for support among Malays. So is the existence of the Parti Islam (PAS), the Islamic party which has long been a constant threat to its backing from rural Malays.

While retaining sufficient support among Malays, the party must also constantly bargain behind the scenes with its partners in the Barisan Nasional (National Front) coalition government. These are the Malaysian Chinese Association, the Malaysian Indian Congress and various parties with which it is allied in the eastern states of Sarawak and Sabah.

This is an awkward balance when the driving force behind most of government policies is the advancement of Malays. The coalition partners need the support of the Umno machine to persuade Chinese and Indian voters that the coalition remains worthy of support.

PARLIAMENTARY BALANCE

Barisan Nasional coalition: 132 seats:
Umno 73
MCA 18
MIC 6
Gerakan 4
Sarawak parties 25
Sabah parties 6

Opposition: 48 seats:
DAP 20
Parti Bersatu Sabah 14
Parti Islam 7
Semangat '46 7

As Gordon P. Means, professor of political science at McMaster University, Hamilton, Canada, observed in a recent book*: "When the ethnic preference system blocks access to higher education and to valued jobs for those who otherwise would be qualified, considerations of inter-ethnic equity assume minor significance to the deprived individual suffering immediate anguish and despair."

In general, the minorities have been restrained from opposing the government by the country's prosperity and by their continued preponderance in business and the professions. While Malays still account for 76 per cent of agricultural workers, 56 per cent of registered professionals are Chinese and 13 per cent are Indians. Within the professions, 81 per cent of accountants, 74 per cent of architects and 58 per cent of engineers are Chinese. The Chinese still dominate retail trade.

However, Prof Means observes: "Most non-Malays live with a persistent anxiety over the direction of ethnic preferences policies and wonder whether they or their children will ever be treated with full equality in public policy, in access to goods and services, and in economic and social relations."

The leading opposition party, the Democratic Action Party – though it does not identify itself with any racial community – does best in areas with a large Chinese population, such as Kuala Lumpur and the surrounding area, and Penang.

For Umno, there is an equally dangerous reverse side to the political implications of its asset redistribution policies. The National Economic policy, effectively spreading wealth among Malays as of right, has naturally raised expectations among Malays. If these cease to be met, Umno could rapidly find itself in difficulties.

Dr Mahathir, in characteristically direct fashion, expresses frustration with the tendency of Malays to view the National Development Policy, successor to the New Economic Policy, as a "get-rich-quick scheme", rarely risking their easily-won capital. He warns them that they cannot expect policy always to favour them.

In all this – despite the evident success of many government policies – there should be fertile ground for opposition parties.

In parliament, opposition parties account for 48 of the 180 seats. Mr Lim Kit Siang, the opposition leader, also heads the Democratic Action Party which has 20 seats. The next largest bloc is of 14 seats held by Parti Bersatu Sabah, with the remainder split between Semangat '46 and Parti Islam.

Although the opposition is not large enough to block legislation, its substantial presence in parliament does allow opposing views to be aired publicly and thus to get into the press, most of which is favourable to the government. Even so, opposition MPs do not get the hearing they would like. Mr Kua Kia Soong, MP for Petaling Jaya on the outskirts of the capital, complains: "The Deputy Speaker has a stiff neck – he can't see the opposition MPs."

The DAP's constant call is for open, clean, accountable government. Its latest target is a Land Act, recently amended by Parliament to allow state governments compulsorily to acquire land for any purpose "deemed beneficial to the economic development of Malaysia."

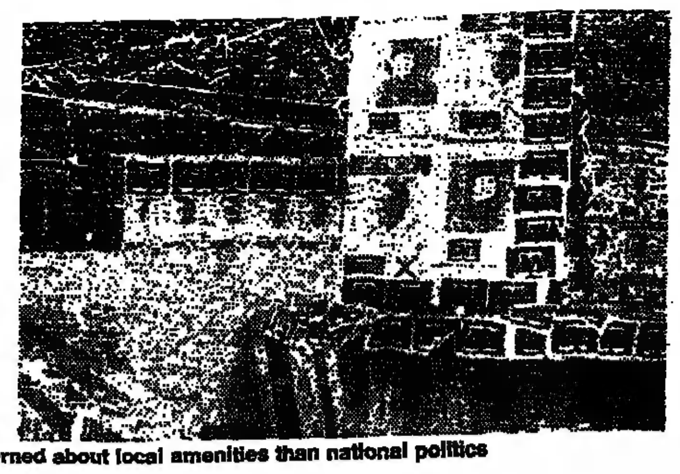
But the ability of any opposition party to make headway in an election is severely constrained. To begin with, the press and broadcast media, either controlled by or favourable to the government, give little coverage to opposition views. Secondly, opposition parties cannot begin to match the financial resources upon which Umno can draw. This becomes particularly important at election time when promises to improve facilities, especially for poor communities, are commonplace. Thirdly, there are strict limits on election meetings, which can only be held in enclosed spaces and therefore must be small. Police permits are needed to hold them.

Always at the back of the opposition's mind – and of those who vote for them – are periodic government crackdowns. The opposition leader and his son, as well as other politicians, have suffered detentions without trial.

Dr Mahathir insists that strong government is necessary for a developing country such as Malaysia. "We are not going to gain anything by having weak governments as in some countries which get toppled over every now and then, and then you have elections during which hundreds, thousands of people are killed, the economy disrupted, people are poor, and starving."

The challenge for Malaysia's leaders in the future, however, will be to have the confidence to allow more air to flow through its democracy while retaining racial harmony and prosperity.

* *Malaysian Politics: The Second Generation. Oxford University Press, 1991*

Billboards and slogans everywhere: most voters are more concerned about local amenities than national politics

Politics among the squatter huts

Federal funds win votes

"ON MONDAY we will have the street lights on," proclaims the speaker to a gathering of Indians and Malays.

Because there is not a lamp-post in sight, and since this election meeting is taking place in the middle of a community of squatter huts – in which women painstakingly sort bales of shredded paper into different colours for resale back to the paper mill – the promise seems unlikely to be fulfilled.

But this is a by-election for a state assembly seat, and the concerns of the voters are predominantly local.

The constituency is Prai, an area of light industry and commerce centred around Butterworth, on the west coast of Peninsular Malaysia a short ferry ride from Georgetown, the bustling main city of the island of Penang.

Just over half its 14,000 voters are Chinese, with more than 25 per cent accounted for by the Indian community and only 22 per cent by Malays. Although Prai contains some better-off sections, it also has some poverty-stricken areas with little drainage and poor housing and roads.

In last October's general election, the opposition Democratic Action Party just managed to hang on to the seat as the DAP strove to capture a majority in the Penang state assembly.

The DAP depends largely on Chinese and Indian votes and could therefore hope to do well in Penang. But it narrowly failed to win the state and was forced to fight the Prai seat again when its assemblyman resigned for personal reasons.

The state leaders of the Barisan Nasional, the ruling National Front coalition of parties, wishing to shore up their small majority and to win the confidence of the party bosses in Kuala Lumpur, have thrown everything into winning the by-election.

Their candidate is Mr V. Muthusamy, a lawyer and the husband of the unsuccessful candidate last October. The seat is traditionally held by an Indian and Mr and Mrs Muthusamy are prominent members of the Malaysian Indian Congress, one of the three main ethnic-based parties which make up the coalition headed by Dr Mahathir Mohamad, the prime minister.

The DAP's determination to retain the seat is shown by its selection as candidate of Mr Karpal Singh, its deputy chairman, an MP in Kuala Lumpur and one of Malaysia's most distinguished lawyers. On a campaigning Saturday in late July, several government ministers are in the constituency on Mr Muthusamy's behalf, including Mr Anwar Ibrahim, the finance minister, whose home state is Penang. The prime minister is opening a factory for Sony, the Japanese electronics giant, nearby.

Mr Karpal Singh is surrounded by several of the DAP's most senior national officials. Mr Lim Kit Siang, leader of the opposition in Kuala Lumpur, and Tengku Razaleigh Hamzah, the former finance minister who leads a breakaway party of Malay former supporters of Dr Mahathir, are addressing campaign meetings.

The pennants, billboards and slogans are everywhere: white scales on a blue background for the Barisan Nasional: a red rocket through a blue circle for the DAP.

With most voters more concerned about local amenities than national politics, the Barisan slogan "Only Barisan can help" is given a literal interpretation by its campaigners.

At the Barisan campaign headquarters, Mrs Muthusamy is passionate in support of her husband, whose campaign she is managing. "We say, this is a working class area with squatter areas and no amenities and drainage. We are concerned with day-to-day affairs. We need somebody to voice the problems of the community."

This commitment is viewed with cynicism at the DAP headquarters. Mr Karpal Singh, the DAP candidate, says: "The Barisan Nasional only thinks about paving the roads during an election. These are direct inducements but the government says that the timing is a coincidence."

"We're fighting the money, the machinery and the media," says Mr P. Patto, deputy secretary-general of the DAP.

Improvements to amenities are taken for granted in Malaysia as vote-winning tactics. So much so that the Star newspaper, which supports the government, reported next day from Prai without comment:

"On-the-spot grants have been made to national-type primary schools and local organisations, and for the construction of village roads with promises of more federal funds to improve poor drainage and overcome the nagging flood problems in the slums." Hence the DAP slogan: "Take Barisan money, vote DAP". Mr Patto says: "A DAP win shows that the people want a clean, accountable government."

At the election meeting amid the squatter huts – where a DAP meeting had been disrupted the previous evening by people throwing stones – Mr S. Samy Vellu, minister for energy, telecommunications and posts, couples his promise of street lights with an appeal to the wider concerns of Malaysians.

"When you vote, you are voting not for Mr Muthusamy, not for Mr Samy Vellu, you are voting for the scales, that is for Dr Mahathir." (The scales, indicating justice, are the Barisan emblem.)

But at campaign headquarters, Mrs Muthusamy has to think for a few moments when asked what Dr Mahathir's government has done for the country as a whole. The prime minister deserves credit, she says, for focusing on the country's long-term future and international standing.

She is incensed, meanwhile, that a driver working on road improvements had been telling local residents that the work was ordered by the DAP. This, she says, is a dirty trick typical of the DAP.

Mr Patto of the DAP takes a wry view of such outrage: "No by-election, no DAP, no repair," he says.

Footnote: Mr Muthusamy, the candidate of the ruling Barisan Nasional, won the seat with 5,182 votes against 4,320 for Mr Karpal Singh, the DAP candidate.

Alexander Nicoll